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Rethinking War: The Soviets and European Security

Michael MccGwire

THE SOVIET APPROACH to security in Europe is undergoing a truly revolutionary change. Although the Soviets have been explicit about the direction they are trying to go, the fundamental nature and far-reaching implications of this change are not widely appreciated in the West. We fail to recognize its importance because we are so preoccupied with the details of negotiations on strategic and intermediate nuclear force reductions and of the conventional balance in Europe. But we also tend to dismiss the Soviet campaign to promote "new thinking" about international relations as propaganda designed to breed complacency in the West and to give the Soviets the breathing space they need to restructure their economy.

At the center of the new thinking lies the question of national security. The Soviets claim that the traditional approach is outmoded, that a state that unilaterally seeks to improve its security will automatically increase the insecurity of others, and that reliance on military might will actually reduce security by increasing the danger of war. National security, the Soviets now say, can be achieved only by cooperating with other nations to provide mutual security. Guaranteeing national security has "become above all a political task and not a military one." While stressing the need for equal security, the Soviets have moved beyond the idea of parity to talk of sufficiency. They acknowledge the need for asymmetrical reductions in arms and for levels that preclude the possibility of surprise attack or general offensive operations. Some quarters are promoting nonoffensive means of defense.

In the world of ideas, none of these is very original. The underlying principles are embodied in the United Nations Charter and have been regularly advocated by Western political leaders, albeit after they were out of office. What is new is that a superpower is proposing these ideas as government policy. More important, they are not some "hare-brained scheme" espoused by a new Soviet leadership, but a set of principles the Soviets can now embrace because of changes in their thinking about the likely nature of a future war. These changes represent the next logical step in the evolution of Soviet military doctrine, a process under way since the mid-1950s.

It is the thesis of this article that the focus of Soviet military policy has moved away from the worst-case contingency of world war toward the lesser contingency of limited war on the Soviet periphery. This shift obviates the need for an offensive posture facing NATO and allows a radically new approach to arms limitations in the European theater.

From 1948 through 1984, planning for Soviet national security centered on the possibility of world war, which would require offensive operations in Europe to defeat NATO. Although the Soviets considered war to be progressively less likely after 1963, the scale of force required to mount a successful offensive against

*Michael MccGwire, a senior fellow in the Brookings Foreign Policy Studies program, is the author of *Military Objectives in Soviet Foreign Policy* (1987), in which he describes the evolution of Soviet security requirements from the end of World War II to the 1980s. His forthcoming book, *Perestroika and Soviet National Security*, focuses on the recent evolution in Soviet thinking about security. MccGwire's article, "Why the Soviets Are Serious About Arms Control," appeared in the Spring 1987 issue of *The Brookings Review*.*

Western Europe steadily increased. A particularly sharp Soviet buildup occurred during the 1970s, a result of a new strategy that relied primarily on conventional means.

In 1983–84 the Soviets faced up to the fact that in covering the ever more remote contingency of world war, they had raised international tension, fostered distrust, and actually made world war more likely. They had meanwhile incurred heavy political and military costs in the form of NATO's response to what the West perceived as an increase in threat. These political and military costs came on top of the economic burden of maintaining the military capability required to meet their contingency plans for world war.

This logical impasse prompted a shift in military doctrine concerning the possibility of averting world war, allowing the Soviets to recenter their plans on the lesser but more realistic contingency of limited war on the periphery of the Soviet bloc. These plans include the possibility of major conflict on the inter-German border, but the Soviets assume that such conflict will be geographically contained and limited in scope and duration. The invasion of Western Europe, which had been a strategic imperative, has been renounced because it would precipitate world war.

I am not suggesting that the shift in military doctrine is a sufficient explanation for the fundamental changes we are now witnessing in Soviet policies. But for change to occur, the removal of impediments is at least as important as the impulses promoting change. Most of the arguments favoring change have existed for a decade and more, but until recently they were outweighed by the demands of national security.

Military requirements have generally imposed severe constraints on preferred Soviet domestic and foreign policies, constraints that could be lifted only by changes in military doctrine. This article traces the evolution of that doctrine and the resulting relaxation of specific Soviet military requirements. It will show that General Secretary Gorbachev's concessions in the nuclear arms negotiations reflect the logic of doctrinal decisions reached in the late 1960s and that the new thinking about security in Europe is not solely the consequence of a generational change in leadership, although that is undoubtedly important.

From the Possibility of World War . . .

The West has no equivalent to Soviet military doctrine, which is a continuously evolving system of officially accepted views on basic questions about war. Authorized at the highest political level, military doctrine provides the framework for decisions on strategic and operational concepts, the structure and deployment of forces, and the development and procurement of weapons. At the core of Soviet military doctrine is an assessment of the likely nature of a future war. It is this assessment that determines the way the war will be fought, the range of possible objectives, and the peacetime force posture required to cover the contingency of such a war.

Although Marxist dogma decreed that war between the two social systems was fatalistically inevitable, the Soviets did not think such a conflict was imminent at the end of World War II. Three years later, in 1948, they reversed this sanguine assessment, concluding that by 1953 they would face the very real threat of a premeditated Western attack

designed to evict them from Eastern Europe, destroy their nascent nuclear capability, and overthrow the Soviet system of government. However, NATO's failure to meet its force goals in the 1950s combined with advances in Soviet military capability to make a deliberate Western attack increasingly implausible. In 1956 the Soviets revised their doctrine to state that world war was no longer inevitable. But they believed that the possibility of world war remained inherent in the antagonism between the two social systems, and should it occur, Western objectives would still include the overthrow of the Soviet state.

World war remained the central contingency for the next 25 years, but Soviet views on its nature and how it should be fought continued to evolve. The initial assessment, which persisted for most of the 1950s, was a projection of the experience of World War II. The basic principles, strategies, and tactics that had proven so successful in driving the Germans out of Russia and back across the eastern half of Europe could be used to repulse a future aggressor and drive him back across the other half of Europe. This thrust into Western Europe would be primarily a by-product of offensive operations to destroy the enemy's forces, rather than an end in itself.

The likely implications of nuclear missile warfare led to a radical reassessment of both the nature of war and the way it would be fought. In the late 1950s the Soviets concluded that a world war would inevitably be nuclear and involve massive strikes on the Soviet Union. In such circumstances the optimum Soviet strategy was to launch a preventive nuclear attack, if war seemed inescapable. The difficulty of making such a determination and the political constraints on launching such strikes were obvious, but an offensive, damage-limiting strategy was the least of all evils, particularly in the face of their opponents' overwhelming nuclear superiority.

This nuclear strategy did not eliminate the need for a land offensive westward, which had the twin objectives of destroying NATO's military capability and gaining access to Western Europe's economic resources. The latter would be essential to rebuild the devastated economies of the Soviet bloc and to ensure the survival of the socialist system.

Avoiding Nuclear Devastation

Military doctrine underwent another sea change in the late 1960s, when the Soviets decided that a world war would not necessarily be nuclear or involve massive strikes on the Soviet Union. It thus became logically possible, and therefore necessary, for the Soviets to adopt the wartime objective of "avoiding the nuclear devastation of Russia," a corollary being that they would have to forgo nuclear strikes on America, because that would invite retaliation against Russia. The U.S. military-industrial base would therefore remain intact, which made it essential that America be denied a bridgehead in Europe from which to mount an offensive once it had built up its forces, as it had in World War II.

The military problem was how to evict U.S. troops from the continent without precipitating intercontinental nuclear escalation. One part of the answer was to restructure Soviet ground and air forces so that with conventional means only, they could disrupt NATO's means of nuclear

delivery and mount a blitzkrieg offensive into Western Europe. This assault would hamper, perhaps even avert, NATO's resort to nuclear weapons and would reduce the momentum toward escalation. The other part was to deter escalation by threatening retaliation against North America with Soviet intercontinental ballistic missiles. It was this emerging capability, in conjunction with the U.S. adoption of "flexible" and "assured response," that had justified the doctrinal shift.

The need to restructure and increase Soviet ground and air forces to provide the superiority required for a successful conventional offensive meant that the Soviets could not engage in serious negotiations to reduce force levels in Europe in the 1970s. But the very opposite considerations applied to negotiations on strategic nuclear arms. During the 1960s the Soviets still lagged behind the U.S. intercontinental capability and their ultimate objective was superiority; hence arms limitations were not in their interests. But the logic of the 1970s strategy argued that Soviet interests would now be served best by nuclear parity at as low a level as possible. Deterrence would work either at a fairly low level, or not at all. And if escalation did occur, the smaller the number of U.S. strategic weapons, the less the nuclear devastation of Russia.

The only way to get the United States to reduce its arsenal was to negotiate strategic arms reductions. This military rationale clinched the argument of those Soviets advocating arms control as a means of promoting détente.

Strategic Evidence

The first concrete evidence of change in strategic weapons policy was the reversal of the Soviet position on antiballistic missiles. The Soviets were concerned that a U.S. ABM system would undermine the credibility of their second-strike capability, and from the earliest days of the strategic arms limitation talks (SALT) in November 1969, they gave priority to reaching an agreement to limit ABM systems. Further evidence appeared in the spring of 1970 when the Soviets abandoned the construction of 78 ICBM silos, indicating they had curtailed their planned deployment of ICBMs targeted on North America, leaving them with a force that matched the U.S. Minutemen in numbers if not in quality.

The thrust of Soviet strategic weapons policy has persisted from its inception in 1968–69 through SALT I and Salt II, the strategic arms reduction talks (START) in 1982–83, the Reykjavik summit in October 1986, to the present (see box, this page). This consistency has been obscured by the need to match the U.S. intercontinental capability in quality (characterized in the West as a buildup). The Soviets were also reluctant to declare their new interest in arms reductions for fear of weakening their negotiating position, while disclosing to the West that they were in the process of adopting a radically new strategy. But throughout these negotiations the long-term Soviet objective has been parity in offensive weapons at as low a level as possible, together with stringent limitations on ballistic missile defenses. And the process of arms control has been important in its own right, as the only means the Soviets have to effect reductions in the U.S. nuclear arsenal.

Although the Soviets had always pressed for the inclusion of forward-based U.S. systems in the SALT

negotiations, their policy on the more general limitation of nuclear weapons in the European theater does not appear to have taken shape much before 1976–77. By then Soviet analyses had shown that the resort to nuclear weapons would not help an offensive into Western Europe and would hinder such operations in certain types of terrain. But the primary rationale for limiting such arms remained the danger that resort to nuclear weapons in the theater would escalate to intercontinental strikes on Russia.

The salience of this issue increased sharply in 1977 when the Soviets started deploying their fourth-generation intermediate-range ballistic missile, the SS-20, a routine if belated replacement for the obsolete first- and second-generation missiles that had been targeted on NATO Europe since the early 1960s. NATO responded sharply, and by 1979 the Soviets were trying to head off a countervailing U.S. deployment by offering to reduce the overall number of missiles facing Europe. Although the complex of calculations that underlay Soviet proposals at the subsequent negotiations on intermediate-range nuclear forces (1981–83) is obscure, it is relevant that the Soviets were ready to accept significant cuts in existing inventories of nuclear delivery systems.

The implications of the strategy adopted in the 1970s can therefore be characterized as follows. For nuclear weapons, strategic and theater, less was better, and although unlikely to be achievable, zero was best. However, for conventional forces, the opposite applied. If the Soviets were to cripple NATO's nuclear delivery facilities and mount a blitzkrieg

Evidence of Arms Cuts

The 78 silos that were abandoned in 1970 included 18 of 24 intended for the "heavy" SS-9, cutting back that program to six years deployment and 288 missiles. The end result was a force of 1,018 third-generation ICBMs targeted on North America, with another 360 adapted to cover regional targets, plus 209 obsolescent second-generation systems.

In signing SALT II in 1979, the Soviets agreed to reduce their aggregate number of strategic nuclear delivery vehicles (SNDV) to 2,400 (and then to 2,250) and accepted additional cuts in their planned deployment of ICBMs. They had to abort the conversion of 100 silos to launch fourth-generation missiles in order to remain under the newly agreed ceiling for ICBMs carrying multiple, independently targeted reentry vehicles (MIRV). The new sublimit meant that the Soviets had to forgo the replacement of some 550 third-generation missiles.

At the START talks in 1982–83, the Soviets proposed reducing the aggregate number of SNDV to 1,800 and lowering the MIRV sublimit still farther. Their proposal was notable for requiring them to cut their own MIRVed ICBM force from 820 to 680, while accommodating U.S. plans to add 100 MX ICBMs to its existing force of 550 MIRVed Minutemen III. The current negotiating target is about 1,600 SNDV and 6,000 warheads.

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What has changed?"*

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Why now are the Soviets talking of military sufficiency in Europe rather than superiority, and why are they proposing to abjure an offensive posture? What has changed?

... To the Possibility of Averting It

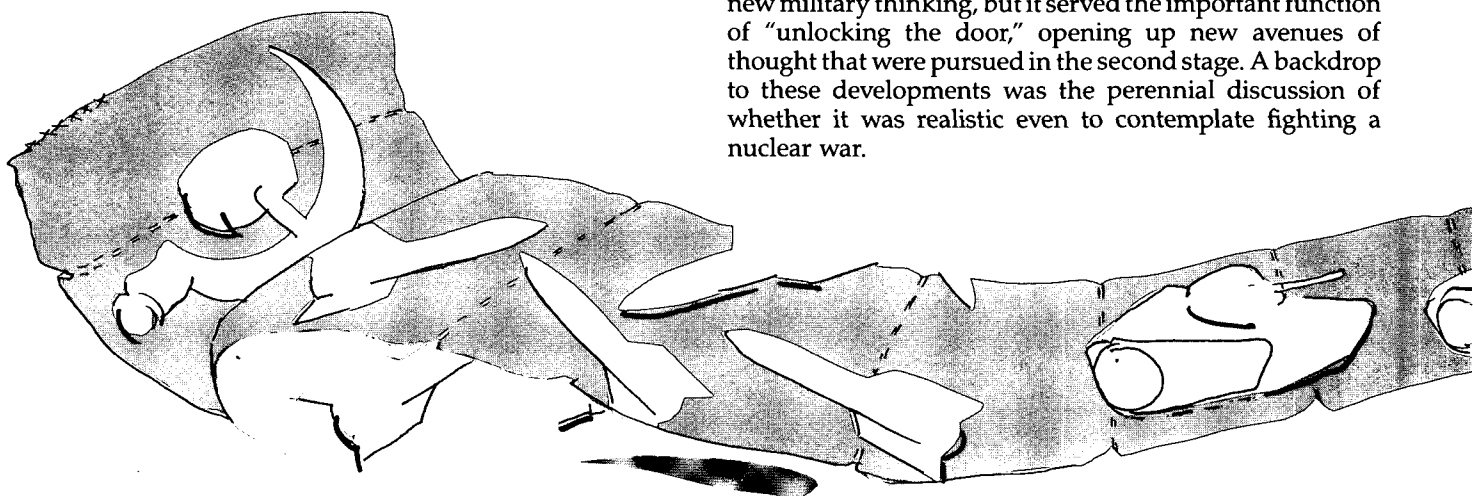
In seeking to answer this question, we face the problem that the available evidence is limited to official Soviet pronouncements and the indications of an internal debate. This evidence can be interpreted in various ways, including being dismissed as propaganda. Everyone would prefer to wait for more concrete evidence to emerge, but the rush of events and public pressures do not allow that option. We must therefore postulate the logic that underlies this radical shift in Soviet declaratory policy, drawing on the wider array of world events that are likely to have had some impact on the development of Soviet military thinking.

Central to this approach is the assumption that no leadership, however dynamic, can make radical changes in the higher levels of Soviet military doctrine, except those allowed by developments in objective circumstances and as part of an evolutionary process. As we have seen, all major changes in doctrine since 1948 have followed this pattern, and we have no indication that these inherent constraints have been removed.

My hypothesis is that the recent developments in Soviet military thinking came about in two stages. The first stage was a by-product of political-military developments in the early 1980s in the Persian Gulf region, adjacent to the Soviet Union's southern borders. These events raised the question whether an offensive posture facing Western Europe was still necessary. The second stage, which began in 1983-84, stemmed from a more fundamental review of international relations. The Soviets made key decisions concerning the political-military level of doctrine in 1984-85, and debate has now moved down to the military-technical level, which involves practical issues that are much harder to resolve.

Unlocking the Door . . .

The first stage was not essential to the emergence of the new military thinking, but it served the important function of "unlocking the door," opening up new avenues of thought that were pursued in the second stage. A backdrop to these developments was the perennial discussion of whether it was realistic even to contemplate fighting a nuclear war.



Before the 1980s objective circumstances had made the possibility of a major regional conflict with the United States extremely remote. While a broad range of possible conflicts had been discussed in the theoretical literature since the late 1960s, it is reasonable to suppose that the practical planning assumption was that major conflict with the United States would involve world war.

In the 1979–82 period, a series of events—including the Iranian revolution, the U.S. embassy hostage crisis, the Soviet invasion of Afghanistan, the formulation of the Carter Doctrine, the institution of a U.S. Rapid Deployment Force, the Iran-Iraq War, the Israeli invasion of Lebanon, and the subsequent involvement of U.S. forces in that area—made a conflict between the two countries in the region north of the Persian Gulf a real possibility. The troubles in Poland added to the general sense of instability, which was exacerbated by the confrontational U.S. posture during this period.

How likely the Soviets thought such a conflict is not as important as the fact that they were forced to address the issue in practical terms. In these circumstances, one question Moscow absolutely had to decide was whether major conflict with the United States in the Gulf region would necessarily escalate to world war. If escalation was inevitable, then the existing plans for world war still applied, and the existing force posture was satisfactory. Once U.S. forces were committed to the Gulf, the Soviets would launch an offensive against NATO. If, however, escalation was not inevitable, the Soviets' primary objective would be to contain the war, which would prohibit an offensive into Europe. Instead of moving into Europe, the Soviets would need to hold on their western front while engaging U.S. forces to the south.

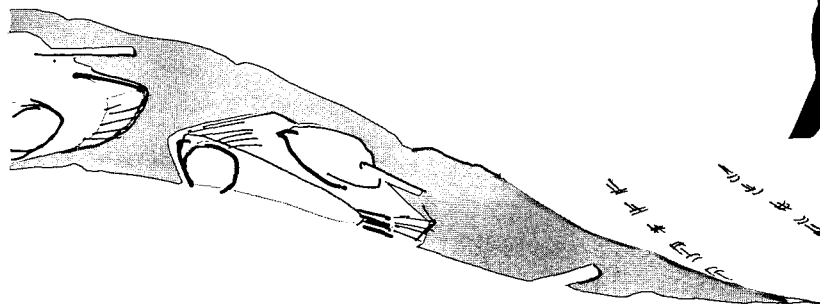
The Soviets concluded that such a regional conflict would not inevitably escalate to world war, implying that they would hold in the west. Although unsurprising, the decision would have acted as a catalyst in two ways. First, it placed in question a tenet of Soviet military thought that had its roots in Tsarist days. Since World War I, a prerequisite for success in major war was the capability to mount a continental-scale offensive to the west. This enduring requirement underlay Russian strategy in World War I, was central to Marshal Tukhachevsky's strategic plans in the 1930s, and was triumphantly validated by the experience of World War II. In the postwar period, the ground offensive to the west remained a central concept in the successive reformulations of strategy.

Second, the new requirement to hold in the west raised the question whether forces facing NATO had necessarily to be postured offensively. The military viewpoint would favor the existing posture, since it covered the worst-case contingency of escalation to world war and at the same

time pinned down U.S. forces that might otherwise be redeployed to the Persian Gulf. The political viewpoint would emphasize the heavy political and military costs of that offensive posture, costs that were only too evident in the 1979–82 period.

Since the military-technical factors favored the status quo, there was no operational urgency to resolve this question, but it does seem to have been placed on the agenda. From 1984 onward a new emphasis on the strategic defensive in ground force operations appeared in unclassified military writing.¹ Since the objective probability of NATO aggression had not increased in the preceding years, the question of adopting a defensive posture is a likely explanation for this development, although more mundane ones are available.

The conclusion that developments in 1979–82 prompted substantive rethinking is supported by major changes in Soviet command structure during this period. In the early 1980s Soviet air forces were reorganized in a way that made it easier for the Supreme High Command in Moscow to redeploy the air strike elements between theaters of military action (*teatry voennykh deystviy* or TVDs), as circumstances might require.



A more far-reaching change was the establishment of three new TVD high commands. Before this period, the Soviets had set up a separate high command only for the Far Eastern TVD — an arrangement that reflected the “world war” concept of holding in the east and fighting in the west. The other TVDs would be run by the Supreme High Command in Moscow, as they were in World War II, with the offensive into Western Europe as the focus of concern. But the Soviet decision that regional war would not necessarily escalate to world war introduced a much more complex set of requirements. Although the Soviet plan called for containing a regional war in the Persian Gulf area, operations were likely to spill over into the eastern part of NATO. The Soviets also had to remain prepared to launch an offensive into Western Europe in the event that the conflict could not be contained.

Such a complex strategy would be extremely difficult to run directly out of Moscow. Accordingly, by the fall of 1984 the Soviets had set up high commands for three additional TVDs: the Western TVD, which roughly covers NATO’s central front; the Southwestern TVD, covering the Balkans, the western half of Turkey, and most of the Mediterranean; and the Southern TVD, encompassing eastern Turkey, Syria, Israel, and the whole Indo-Arabian region.

The Soviets had been discussing their operational command structure since the second half of the 1970s, so these changes are not conclusive evidence of substantive rethinking. But that explanation would provide a satisfactory answer to various questions: what it was that changed between 1978, when the Far Eastern High Command was established, and 1984; why the boundary between the Southern and Southwestern TVDs runs between Cyprus and the Levant coast, an alignment that is suboptimal for world war but well-suited for the contingency of regional war; and why the Soviets chose not to establish a high command for the fifth continental TVD, covering northwestern Europe and its adjacent seas.

... and Passing Through

The concept of holding in the west effectively downgraded a requirement that had been seen as a strategic imperative for some 70 years. This withdrew a linchpin from the existing framework of geostrategic assumptions and facilitated the second stage in the most recent evolution of Soviet military thinking.

That stage grew out of a review of Soviet foreign policy. Despite the evidence that Soviet policies had been increasingly unsuccessful since at least 1978, the Soviet leadership well into 1983 had remained extremely reluctant to question, let alone jettison, the tenets that had shaped foreign policy through the 1970s. Because of the policy’s relative success in the first half of that decade, the leadership had been able to persuade itself that the problem lay in an aberrant deviation of American policy and that “realism” would force the Reagan administration to moderate its confrontational stance and return to more cooperative policies.

It was probably the Strategic Defense Initiative that finally jolted the Soviet leadership out of this complacency.² Reagan announced the SDI on March 23, two weeks after he had described the Soviet bloc as “an evil empire,” called its leadership “the focus of all evil in the world,” and

implied that the Soviet Union was comparable to Nazi Germany. By the end of March the official Soviet depiction of the danger of war had become sharply more pessimistic, and the very high level of East-West confrontation was explicitly acknowledged at the Central Committee Plenum in June.

The evidence suggests that this plenum sanctioned a formal review of the foreign policy line that had been established at the party congress in 1971 and reaffirmed in 1976 and 1981.³ This review would have had to acknowledge that developments during 1978–83 challenged key Soviet assumptions about the structure of international relations. In particular, questions would have been raised about the trend in the correlation of forces, the immutability of détente, and the nature of the superpower relationship.

The review’s conclusions can be inferred from the unprecedented “Declaration” General Secretary Yuri Andropov issued at the end of September 1983, a large part of which focused on the threat to world peace posed by U.S. policies. The essence of Andropov’s message, however, was that the United States had launched a new crusade against socialism and was bent on military domination. Six weeks later the Soviet minister of defense reaffirmed this charge, asserting that the United States was preparing for “the elimination of socialism as a sociopolitical system.”⁴

This pattern of events argues that Andropov’s declaration signaled a decision-in-principle concerning the continuing validity of the assumptions that had underlain the policies of the 1970s. Past practice suggests that the implications of that decision and the consequent policies would be argued out, and the main implementing decisions made, during the next two years. We have yet to identify, let alone unravel, the full scope of that debate, but there is good evidence that one element concerned world war (see box, p. 9).

One aspect of that question was the imminence of war. By 1983 Soviet leaders considered war to be significantly more likely but disagreed on exactly how much more likely. Although important at the time, that aspect need not detain us since what concerns this analysis is the debate on what long-term policies were best suited to *avert the catastrophe of world war*. In seeking to understand the substance of that debate, it is necessary to distinguish between the practical and the theoretical aspects of the dilemma that faced the Soviets.

The Practical Problem

In practical terms the Soviets found themselves at a logical impasse. A first order national objective was to avoid world war. Should it be inescapable, the objective was not to lose. By definition, the capitalist objective in such a war would be to overthrow the Soviet system. The Soviets could not, however, respond by seeking to destroy the capitalist system, since that required nuclear strikes on North America, which would invite a retaliatory attack and the nuclear devastation of Russia. The U.S. military-industrial base had to be spared, which implied that NATO must be defeated in Europe and American forces must be evicted from the continent to deny the United States a bridgehead from which to mount a land offensive against Russia. To defeat NATO without NATO’s resorting to nuclear weap-

Reading the Signals

Mikhail Gorbachev's election as general secretary in 1985 was followed by overt manifestations of change in Soviet foreign policy, making it logical to link them as cause and effect. A new leadership is not, however, sufficient explanation for the fundamental changes in military doctrine and in the ideology of international affairs that must necessarily underlie this evidence of a new direction in policy. By locating a critical stage of the decisionmaking process in 1983–84, I am not denying that generational change was a crucial impulse. But generational change began when Yuri Andropov succeeded Leonid Brezhnev in November 1982, and Gorbachev's rise to power is proof that he and his associates were key members of the leadership at this seminal period.

I was predisposed to expect change in 1983–84 because the analyses documented in my book *Military Objectives in Soviet Foreign Policy* had persuaded me that Andropov's September 1983 declaration signaled a decision-in-principle. Such a decision would be followed by a major reevaluation of Soviet national security policy, leading to a series of "implementing" decisions. Evidence of such a reevaluation can be found in the writings of Marshal N.V. Ogarkov, which, paradoxically, identify both sides of the debate.

Ogarkov had been chief of the General Staff from January 1977 until early September 1984, when he was abruptly reassigned to head the newly formed high command of the Western TVD. During the preceding three years, it had become increasingly clear that Ogarkov held a more alarmist view of the world situation and the necessary Soviet response than did the political leadership, and his reappointment away from Moscow is widely assumed to have contained a disciplinary element. The journal *Communist of the Armed Forces* published an article by him in November 1984, the tone and context of which were sufficiently different from his earlier writing to suggest that Ogarkov had been forced to recant his alarmist opinions. In any case, we have every reason to assume that his statements on the possibility of "eliminating war as a sociopolitical phenomenon" represented official opinion.¹

The relevant paragraphs of that article were incorporated in a chapter headed "War Can and Must Be Averted," which appeared in a book by Ogarkov, *History Teaches Vigilance*, published six months later. But the wording was changed slightly to warn that the possibility of eliminating war should not be confused with the reality of doing so, and that until that objective is achieved, the danger of war could actually increase. Despite these changes, both statements explicitly state that although the threat of world war remains, it can be neutralized. Ogarkov explains this statement as a "conclusion" drawn by the Communist party about the "absence (*otsutstvie*) of the fatal inevitability of war." In reaching that conclusion, the party had been "guided by the theory of Marxism-Leninism, creatively developing and enriching" the theory "as it applies to the present situation."²

Further evidence appeared in *The Second World War: Results and Lessons*, a book with a prestigious editorial board that

was written to commemorate the 40th anniversary of victory in World War II. The book was sent for typesetting in August 1984 and released for printing on February 27, 1985. In the intervening period the chronology at the back of the book was extended to the end of 1984, and the names of the editorial board were updated to include the new minister of defense and chief of the General Staff. It appears, however, that the six-page "conclusion" was added after the galleys were sent to the printer. It is printed in a different style from the main text and contains a quotation from the special Central Committee plenum that elected Gorbachev on March 11, 1985. Meanwhile, the last numbered chapter of the main text, "Preserving Peace and Averting Nuclear War — the Main Contemporary Problem," has the structure and substance of a concluding chapter.

This added conclusion referred to a "comprehensive analysis of the manifestations and basic tendencies of contemporary social development," on the basis of which the Soviet and other Marxist-Leninist parties concluded that "achieving a durable peace had become a fully realistic task [*zadacha*]." It also notes that "the Communist party is developing military doctrine having a defensive orientation."³ That use of the present tense and Ogarkov's reference to "the present situation," when combined with the other evidence, persuade me that both Ogarkov and the added conclusion of *The Second World War* are referring to a recent decision and not simply repeating the 1956 doctrine that war was no longer inevitable.⁴

Supporting my assessment of change at this early date was the emergence in 1984 of a new Soviet line about "strategic stability." In the first half of that year, the Soviets also established a new *nomenklatura* of categories of workers in the field of military science and other social, natural, and technical sciences. During this period, the Soviets decreed that "the most important task of Soviet military strategy in contemporary circumstances is to solve the problem of averting war," and more precisely "averting world war."⁵

1. N.V. Ogarkov, "On the 40th Anniversary of the Great Victory: Unfading Glory of Soviet Arms," *Kommunist Vooruzhennykh Sil* (KVS) no. 21, November 1984, pp. 23–24, 26.

2. Ogarkov, *Istoriya uchit bditel'nosti* (Moscow: Voenizdat, 1985), pp. 85, 90.

3. S.A. Tyushkevich, ed., *Vtoraya mirovaya voyna: itogi i uroki* (Moscow: Voenizdat, 1985), pp. 414, 417. The minister of defense was chairman of the editorial board.

4. The additional evidence includes the implied significance of the "conclusion"; the use of the word *zadacha* (task/objective) rather than the word *tsel'* (goal/objective); and the convoluted and peculiar choice of words regarding the noninevitability of war, a formula that was not used in 1956.

5. Theodore Neeley uncovered the new *nomenklatura* in M.A. Gareev, M.V. Frunze — *voennyy teoretik* [M.V. Frunze — Military Theoretician] (Moscow: Voenizdat, 1985), p. 422. References to "averting war" or "averting world war" are the only substantive amendments to the entries for "military strategy" and "military doctrine" in the 1983 edition of the *Voennyy entsiklopedicheskiy slovar'* [Military Encyclopedic Dictionary], 2nd ed. (Moscow: Voenizdat, 1986), pp. 712, 240. Raymond Garthoff noted a first-time entry for "strategic stability," p. 703. This concept was being advanced by Soviet defense intellectuals in mid-1984.

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ons, Soviet forces had to be structured for conventional offensive operations and be provided with the necessary superiority.

This threatening posture caused the West to reaffirm its reliance on nuclear weapons, justified U.S. investment in new weapons systems that exploited emerging technologies, and prompted the U.S. concept of "limited nuclear options," which increased the probability of war escalating to an intercontinental exchange. This offensive posture also reinforced the belief that Communists sought military world domination and encouraged the United States to secure its military superiority, this time through weapons in space. East-West tension steadily increased.

The Soviets were caught in a vicious circle. In 1971–73 they had thought war was most unlikely; 10 years later they considered it a distinct possibility. In preparing for the remote contingency of a war they could not afford to lose, the Soviets had made world war more likely. Although the Soviets officially acknowledged that there could be no victors in a nuclear war and that it would probably spell the end of human civilization, the possibility of avoiding intercontinental escalation was slim. And even if NATO did not resort to nuclear weapons, the Soviets could not be certain that their offensive in Europe would be successful.

If it failed, they would face protracted conventional war against the industrial might of the United States and its allies.

The only way out of this cul-de-sac was to redefine Soviet military requirements. The traditional requirement to avoid defeat in a world war had become an increasingly demanding contingency that determined the size, shape, and posture of the Soviet armed forces. If the military requirement were restated in less ambitious terms, namely, to ensure the territorial integrity and political cohesion of the Soviet bloc, an offensive concept of operations would no longer be needed. That would obviate the requirement for a measure of superiority over opposing forces and would provide new opportunities for confidence-building verification. Secrecy was essential for successful offensive operations, because of the crucial role of surprise; it was much less important in defensive operations.

The Theoretical Problem

The theoretical aspect of the Soviet dilemma involved the ideological doctrine that the danger of war was inherent in capitalism and that the victory of socialism would bring peace to the world. Theoretically, the transition from a world of capitalism to one of socialism, and thereby from latent war to secure peace, was a continuous process that divided into stages, each having a different level of war danger.⁵ Achievement of rough strategic parity in the early 1970s and the move to détente marked the fourth stage, when the capitalists recognized that the outcome of the struggle could not be decided by military means. The next stage required that socialism become the predominant system, and global peace would not be finally assured until the sixth stage, when socialism prevailed throughout the world.

This ideological framework allowed ample room to debate the extent to which peace depended on the achievement of socialism (and vice versa), and to disagree on what went wrong with détente. There was, however, a common acceptance that the fifth stage was not yet imminent, since socialism was still far from being the predominant system in the world. The question was how war could be ruled impossible while capitalism still predominated. The way out of this theoretical impasse was to distinguish between world war and other forms of war and between the danger of world war and the possibility of neutralizing that danger.

The potential interaction of two new factors allowed the conclusion that the danger of world war could be neutralized. The wide-ranging Western debate in 1979–83 about nuclear deterrence and the INF deployment had highlighted the growing strength of the peace movements in Europe and North America. But it had also shown that the Soviet Union's conventional superiority, its offensive posture, and its obsessive secrecy had undercut political campaigns to prevent the deployment of Euromissiles. A change in Soviet military policy would not only reduce the likelihood of war by lowering tensions, but could work to neutralize the danger in two ways: by removing an impediment to increased political influence by Western peace movements and by opening up the possibility of a new security regime in Europe and of comprehensive arms control measures.

A Defensive Doctrine

Although some still disagreed strongly, the Soviet leadership appears to have accepted the possibility of neutralizing the danger of world war by the fall of 1984 and to have adopted it as an official Soviet objective by the end of 1985. However, the approval of the 27th Party Congress in February–March 1986 was needed to legitimate this new departure, so it was not until April 1986 that Gorbachev was able to unveil the first evidence of a fundamental shift in Soviet policy regarding military requirements in Europe.

In a speech to the East German party congress, he proposed substantial reductions in ground and air forces, accepted the need for dependable verification, including on-site inspection, and acknowledged that the European security problem extended from the Atlantic to the Urals. That definition brought forces stationed in western Russia into the arms control negotiations, while continuing to exclude forces in the United States. In June the Warsaw Pact proposed that each side reduce forces within Europe by up to 150,000 troops in two years, with a further reduction of 500,000 in the early 1990s, representing a cut of about 25 percent. In this same period the Soviets changed their policy on intrusive verification, enabling the first stage of the Stockholm Conference on Disarmament in Europe to reach agreement in September 1986.

A further benchmark appeared in May 1987 when the Political Consultative Committee of the Warsaw Pact proposed even more substantial cuts in force levels and defense spending through the year 2000 and recognized the need for asymmetrical reductions. The committee supported Poland's plan for a special disarmament zone between the Rhine and the Bug rivers and issued a formal statement on the Pact's military doctrine, stressing its defensive nature. The Pact's objectives included the reduction of conventional forces in Europe "to the level where neither side, in ensuring its defense, would have the means for a surprise attack on the other side or for starting general offensive operations."

Although the most recent benchmark consists of words, not deeds, and while the claim to a defensive doctrine is hardly new, the significance of the Pact's formal statement should not be underestimated, particularly the objective of denying both sides the capability for surprise attack or a general offensive. If Warsaw Pact forces are to be restructured to support the objective of averting war, the appropriate military doctrine has to be argued out and agreed on at several different levels. The possibility of neutralizing the danger of world war was accepted only in the fall of 1984. When adoption as a formal objective was legitimized in March 1986, the party was already developing military doctrine with a "defensive orientation." And the general principles underlying the new doctrine were accepted less than 15 months later.

This series of decisions mainly affected the socio-political level of doctrine, and as the debate moves down to the military-technical level, the room for argument increases sharply. There are professional disagreements on how best to provide for the security of the Soviet Union and jurisdictional disputes about the role of the Communist party in deciding military-technical issues that have traditionally been the preserve of the General Staff. But portraying the present debate as a bureaucratic struggle

between the military and the party is too simple. It is better seen as a disagreement on the costs and benefits of military might as the means of ensuring Soviet security, a disagreement that cuts across institutions and generations.

The crucial issue of whether a defensive doctrine necessarily implies the absence of a counteroffensive capability is an important aspect of the argument over what is meant by "sufficiency."⁶ But it is noteworthy that however defined, the concept of sufficiency, rather than parity or superiority, is being advocated as the criterion for sizing forces. It is equally noteworthy that the forces need be sufficient only to provide for the secure defense of the Soviet bloc, rather than a successful offensive into Europe.

The need to escape the political-military impasse has had a major impact on foreign policy, forcing the Soviets to rethink important aspects of their theory of international relations. Marxist theory offers a deterministic explanation of world developments, holding that they are driven by historical forces and broad social movements over which individual nations have no more control than they do over their "natural" behavior. This viewpoint makes it easy to blame the capitalists for all the world's problems, particularly the danger of war, and to argue that Soviet military

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policies designed to "safeguard the victories of socialism" must necessarily promote the cause of peace.

By adopting the objective of averting world war, even though the preconditions for making war impossible are far from fully developed, the Soviet leadership has implicitly challenged this self-righteous (and inherently passive) approach to foreign policy.⁷ One consequence is the new emphasis on *mutual* security and the admission that the Soviet posture facing NATO could be seen as threatening. But it has also legitimized the new thinking about international relations, with its emphasis on global issues and the "interconnectedness" of the world community.

How Should the West Respond?

Two questions now need answering. Has there been a fundamental change in the Soviet approach to national security policy? If so, what should the West do about it?

In answering the first question, we must set aside the evidence of nuclear arms reductions. Although the latest developments are fully compatible with favorable change, they have their roots in the 1967–68 period and were originally intended to support the 1970s strategy, which called for offensive operations in Europe. Similarly, recent Soviet proposals for mutual reductions of conventional forces in Europe have to be discounted because they would lower the density of NATO's forces, thus improving the chances for a Soviet offensive breakthrough. And, of course, a more conciliatory approach to negotiations promotes progress in both these areas.

There remains, however, substantive evidence of change. The most concrete is the Soviets' radical offer to allow intrusive verification, which they could not have made if they were still wedded to an offensive strategy. Less concrete but still substantive is their willingness to include forces in western Russia in the arms negotiations and their objective, agreed to by the Warsaw Pact, of denying both sides the capability for surprise attack or a general offensive. Finally, we have evidence of the fundamental changes in underlying doctrine and ideological theory that are prerequisites for a major shift in policy. We must add to this the considerable political capital that the Gorbachev leadership is investing in promoting its "new thinking" in international relations.

This body of evidence justifies the provisional assumption that fundamental changes in Soviet policy are now afoot. That these changes represent the logical next step in an evolutionary process is in itself important. Just as gradually lowering the temperature of water will change its state from liquid to solid, so too can an evolutionary change result in a completely new approach to national security.

How should the West respond? Obviously, the Soviet leadership is promoting these policies because it sees them as being in Russia's national interests. The range of potential benefits includes reducing the defense burden, checking the technological arms race, and enabling a new type of relationship with the West Europeans. Nor have the Soviets put aside the struggle between socialism and capitalism. But because a new security regime in Europe is in Soviet interests does not mean that it is against Western interests. Eschewing a zero-sum approach to East-West relations remains a sound policy, even though it is now

being advocated by the Soviet Union.

At this stage the West is not required to do anything very difficult or dangerous. Essentially, we are being asked to sit down with the Warsaw Pact and discuss how to work out a new mutual security regime for Europe involving greatly reduced force levels and major constraints on their structure and posture.⁸

Nobody pretends that such a regime will be easy to achieve. But the discussions should be quite different from the abortive negotiations in the 1970s because a westward offensive is no longer a Soviet strategic imperative. Success in this enterprise requires that the two sides seek to understand the other's security problems, rather than to focus on unilateral advantage. Much will therefore depend on the nature of the Western response, which will also have an important effect on the internal opposition to the Soviet leadership's initiative. We need to recognize that the Soviets are going through a wrenching reevaluation of their military requirements.

The Soviets have suggested a way out of the military cul-de-sac both sides got drawn into in the 1948–53 period. They are espousing means of "non-offensive defense" that have been developed by nongovernmental circles in the West. Most NATO electorates find these proposals intuitively appealing, and their leaders are clearly being forced to go along, although reluctantly and uncomprehendingly. Change of some kind is now inevitable. If it is to be beneficial, the Western political-military establishment must develop some concept of where it wants to go. It too must jettison the thought patterns of the past 40 years and approach the emerging situation with a fresh, yet skeptical mind. I am not suggesting that we should trust the Soviets — but it is in our interests to suspend *distrust* and to respond imaginatively to their proposals.

1. Christopher Donnelly, drawing on his data bank at the Soviet Studies Research Centre, Sandhurst. The subject may have been broached earlier in Soviet classified writings.

2. The most important reason Gorbachev advances for new thinking in international relations is that the arms race is on the brink of a qualitatively new and highly dangerous stage, caused by U.S. plans to position "strike weapons" in space.

3. This summary is based on the analysis in Michael McGwire, *Military Objectives in Soviet Foreign Policy* (Brookings, 1987), pp. 307–34.

4. D. F. Ustinov quoted in "Za vysokuyu boevuyu gotovnost' " (For High Combat Readiness), *Krasnaya zvezda*, November 12, 1983, p. 1.

5. Stephen Shenfield, *The Nuclear Predicament: Explorations in Soviet Ideology* (Routledge & Kegan Paul, 1987), Royal Institute of International Affairs (Chatham House Papers No. 37), p. 27. My summary of the ideological background is based on Shenfield's outstanding analysis of the core values of "peace" and "socialism" in the Soviet ideology of international affairs.

6. This aspect of the debate does divide mainly on institutional lines, with the military advocating "defensive sufficiency" and the defense intellectuals arguing for "reasonable sufficiency." It is important to distinguish between the main argument about security in Europe and the very different question of the strategic nuclear balance.

7. The challenge has now been made explicit in the claim that "class analysis" provides an insufficient explanation of international relations and that the emphasis must be shifted to an analysis of national interests.

8. A. A. Kokoshin, "Sopostavlyaya voennye doktriny" (Comparing Military Doctrines), *Pravda*, August 21, 1987, p. 4.

Reforms in China and the Soviet Union

A Conversation with Harry Harding and Ed A. Hewett



Ed A. Hewett and Harry Harding

WHETHER OR NOT they are ultimately successful, the economic, political, and social reforms taking place in China and the Soviet Union are likely to have profound consequences both for the people and governments of the two countries and for the rest of the world. What do the reforms in each of these countries entail? Why have they occurred? How do they differ from each other? How will we know if they are successful? Should the United States help these two socialist countries in their efforts?

The Review recently discussed these and other questions with two senior fellows in the Brookings Foreign Policy Studies program who follow the reform process closely. Harry Harding's book, *China's Second Revolution: Reform after Mao*, was published in December. He has written several other books and articles on China. Ed A. Hewett's newest book, *Reforming the Soviet Economy*, was published in January. Hewett is also editor of the journal *Soviet Economy*. The following is an edited transcript of their conversation.

Review: Harry, would you begin by giving us a description of the general direction the reforms are taking in China?

Harding: One feature of the Chinese reforms is the process of liberalization, which means giving virtually every sector of society greater independence from political control than was the case in the Maoist era. Enterprises have obtained more autonomy from the bureaucracy, and the economy in general has gotten greater autonomy from the central plan. In politics, liberalization has involved giving society greater freedom from the state, giving intellectual and cultural activities more autonomy from doctrinal considerations, and giving the government and all other organizations greater independence from the Chinese Communist party.

A second dimension of reform is institutionalization, particularly of the political system. At the time of Mao's death, Chinese political life had seriously decayed. Rules

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and regulations governing administrative conduct were almost nonexistent. The norms of policymaking at the highest levels were seriously weakened. The legal system, which had never been very highly elaborated, had virtually collapsed. There were no regular procedures for bringing new people into the bureaucracy, promoting them, dismissing them, rewarding them, or retiring them. All that has now slowly begun to change.

Diversification is a third aspect of the reforms. In both economic and cultural life, and to a degree in political affairs, diversity is tolerated, even welcomed in some quarters. Nearly 12 years after Mao's death, there is a wider range of forms of ownership in the economy, including the rise of a small amount of individual entrepreneurship. There is greater diversity in the arts, greater liveliness in intellectual life, and a greater number of opinions injected into the policymaking process as well.

Hewett: Institutionalization is less of a need in the Soviet Union than in China, but liberalization and diversification are very much part of the reform process. What is interesting in the Soviet Union is that while there is much discussion about the devolution of decisionmaking power in the economy to enterprises and regional authorities, the purpose is to enhance central control, not to reduce it. The leadership tried to control so much in the past that it lost control. So it is pulling back to tighten up on control over what it considers most important. That means not only things like the rate and structure of investment, but also the structure of industry itself — which industries will be pushed, which held back. The Soviets are pursuing what we would call an industrial policy, but with a rigor and a vengeance that even the advocates of industrial policy in the West would never dream of.

Gorbachev isn't as inclined to let things take their own course as we sometimes think he is. It is under Gorbachev — the man who said he wants enterprises to make their own decisions — that the Politburo has decided that all manufacturing enterprises should adopt rotor-conveyor technology, which was originally developed in the Soviet defense industry. The Soviets talk decentralization, but

they're still covering themselves, issuing more orders in some cases than they did in the past.

Harding: The Chinese appear willing to tolerate a bit more diversity in the economy than the Soviets do. It is true, though, that while the Chinese are reducing the scope of mandatory planning very dramatically, they still see themselves as maintaining a highly regulated economy. They are not moving toward an open marketplace or a laissez-faire system, but toward an economy in which the government will continue to intervene very heavily. To give one example, the central authorities may now issue "guidance plans" rather than mandatory orders, but the targets contained in the guidance plans often become mandatory quotas when they reach lower levels. Or a second example: the national government is allowing a fair amount of decentralization. But the provincial governments, and particularly the various bureaus and agencies within those governments that had control of the economy in the past, still exercise more authority over individual enterprises than official rhetoric would lead you to believe.

Every bureaucracy has a tendency to micromanage; bureaucrats everywhere seem to consider themselves indispensable. But in communist countries I think there is also a political explanation. Micromanagement is a symbol that a group of people in Moscow or in Peking are aware of and concerned with specific problems throughout the country. All communist systems emphasize the importance of personal inspections by top leaders. A leader walks through a factory, a school, a collective farm; he gives some kind of instruction or order or comment; and he therefore implies that he is listening to the workers, the students, the peasants. Even though the system is very authoritarian, the people on top wish to give the impression that they are in constant contact with the grassroots.

The Role of the Party

Hewett: Harry raises an important point. The party represents all the people in the society, and in that capacity it manages the entire system. The difficulty is that along

with micromanagement comes microresponsibility; the party is responsible for everything that happens. It is fascinating to watch, in both China and the Soviet Union, the attempts to reduce the area for which the party is held responsible. In the Soviet Union the party is trying to denationalize responsibility for employment in each individual factory. It is trying to say it will accept responsibility for full employment in the society but not for individual workers' jobs. In effect a "new deal" is under negotiation involving less security for individual citizens in exchange for a more efficient economy producing better consumer goods and services.

One must ask what the party is going to do in this new world. What will politics be like? If the party is going to tell enterprises that they must operate profitably or else lose workers, possibly go bankrupt, then it cannot continue to permit local party officials to interfere in the daily operations of the enterprise. The enterprise will say, "No, no, no. We take the hit if this enterprise fails, so you go away." But local party officials will be reluctant to go away. They move up the party hierarchy on the basis of their region's performance. If the party is serious in its intention to increase enterprise autonomy, it will have to change its expectations for local party secretaries.

Harding: The question of what the party will do in the reformed system is just as important in China. I think the vision Chinese reformers have in mind is a political party that is responsible for recruiting the country's top leaders and for determining broad policy guidelines for society. Any system needs a political leadership that can energize and motivate the bureaucracy, and avoid the inertia and self-interest that would come out of a purely bureaucratic system.

Two other roles are also being discussed. The party has a sort of ombudsman function in that it identifies problems in society, both macro and micro, and identifies solutions. Finally, the party has a propaganda function, which remains very important in all communist systems. The party is responsible for maintaining popular morale and enthusiasm, or at least trying to eliminate alienation and apathy to the greatest degree possible.

Review: What is driving the reforms? What are the underlying causes, both political and economic?

Hewett: In the Soviet case, one of the major motivations is a combination of shame and fear that has roots in the 1970s. This society, particularly the leadership, came to the point of near revolt during the last years of the Brezhnev era when the political system was in virtual paralysis under a gerontocracy that was unable to take even the simplest steps. Gorbachev is part of a generation that felt that major changes had to occur quickly. A consensus developed in the early 1980s that not only should the Soviets be ashamed that the country had fallen so far behind capitalist countries in the West, but also that the gap in technological capabilities endangered Soviet security.

I think the Strategic Defense Initiative (SDI) served as a catalyst to emphasize those concerns, but on the defense side, the Soviets are worried more about smart conventional weapons in some ways than about SDI. On the economic side, those who travel — which means many of the intelligentsia — are painfully aware that even if the Soviets do everything possible, at best they will only be running in place for the rest of the century. It is more likely

they will fall even farther behind; the only question is how far behind.

Fundamentally Gorbachev feels that the survival of the party is at stake. He says the Soviet Union is in a pre-crisis situation, and I suspect that in his own mind he means it. I was recently in Moscow talking to a group of his closest economic advisers, and it was striking to me what a palpable sense of urgency they felt. We asked them, for example, why they didn't begin with agricultural reforms, like China did, and then move on to the more difficult industrial reforms. The answer was that China took eight years to implement both sets of reforms, and the Soviets don't have eight years.

For me this is a strange response. The Soviets regularly waste five to ten years on poorly conceived reforms; they could certainly afford to wait five years to implement a well-designed reform. They seem to be greatly concerned that the near-stagnant economy of the late 1970s and early 1980s could come back and turn into genuine economic decline, leading to a perceptible decline in living standards. At the same time, they find it difficult to meet the U.S. challenge, both economically and in the national security arena. The party's existence is literally threatened. I think that is what is driving reform.

Harding: There are essential similarities between China and the Soviet Union, but also some differences in nuance that distinguish the two sets of reforms. The basic similarity, of course, is the awareness of economic stagnation. It was taking the Chinese more and more investment to produce smaller and smaller increases in GNP and in consumption.

The main difference is that although the economic situation in China was not quite as bad as it is now in the Soviet Union, the political situation was substantially worse. When Mao died, the country was in an acute political crisis. The problem in China was not the ossification and bureaucratic rigidity that one senses in the Soviet Union, but the pure chaos and terror that resulted from five years of Cultural Revolution and another five years of rule by the Gang of Four.

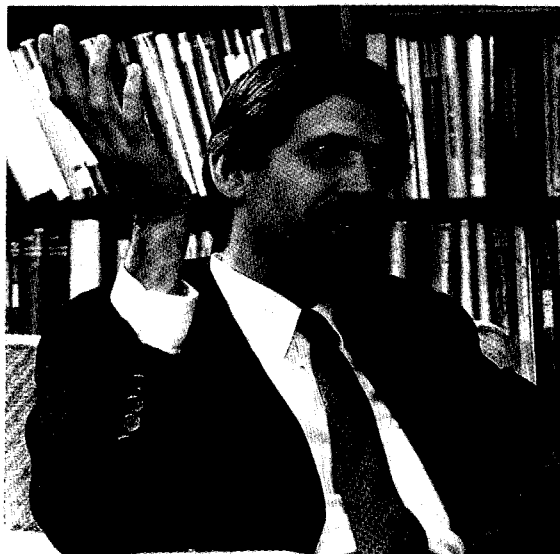
The Chinese dealt with this crisis quite readily, simply by relaxing political controls and creating a more stable political environment. The results, however, have not been all they wanted. The political reforms have ended the active alienation and anger that affected large segments of society, especially the urban population, in the late 1970s. But they produced not enthusiasm and active support, but pervasive apathy and cynicism.

Now, I think the reforms will enjoy substantial popular support for as long as they pay off. But the support is rather shallow. And I worry whether the population is going to be willing to make sacrifices, which I think they are going to have to do for the next five to ten years. Things are not going to be as easy as they have been for the last decade.

Pain and Payoff

Hewett: The question in any reform is who pays. Reform is an investment in the future. The pain comes first and the payoff comes later. It is a question of how the pain is distributed now and how the payoff is distributed later.

Harding: Let me interrupt you right there. In China they've had the payoff before the pain, and that is a very



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the quick gains from
agricultural reform
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of the gaps until
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fundamental difference between the two countries.

Reforms in any socialist country are going to produce a balance sheet of some benefits, some costs, and probably some disappointments. Because the Chinese started reform in the agricultural sector, an area characterized by enormous inefficiency, they were able to get quick and dramatic increases in agricultural production with relatively little pain. Rural industries also experienced a burst of production. Even in the cities, there was enough slack so that everyone could be given a wage increase at the beginning of reforms.

Now, though, as the reforms come to the end of their first decade, the negative side of the balance sheet is growing larger. Price reforms are gradually being implemented. But because of the enormous inflationary pressures in the economy, particularly the huge excess of demand over supply, when prices are relaxed they tend to shoot upward in quite dramatic and alarming fashion. The second problem beginning to emerge is inequality. As more diversity is allowed in the economy and in society, as the range of employment opportunities broadens, and as people begin to be rewarded on the basis of their productivity, the differentials among individuals, among enterprises, and among different regions of the country begin to increase. One of the elements of the so-called "social contract" in communist countries is that the population accepts a fairly stringent set of political controls in exchange for stable prices and guaranteed employment. To have sudden steep increases in the cost of living, greater job insecurity, and economic inequality can be seen as a violation of that social contract.

At the same time that these negatives are building, the Chinese are entering the period when they must face up to some of the very tough decisions they have postponed — whether to continue price reform, to implement true financial discipline for enterprises, to carry on with wage reform. Reform in China is entering a very sensitive period. What I wonder is when, politically, the pain hurts the most. Is it at the beginning of a reform, when you can tell people that a certain amount of pain now will result in a large payoff later, which is what the Soviets are saying? Or does it hurt more when everybody is led to expect a steady upward spiral and all of a sudden the pain hits, a situation that China may now encounter?

Hewett: I still think the Soviets could have begun reforms in rural areas with small industry and agriculture. That would have given them a flow of food and goods and services that would have front-loaded the reform. Instead, what the Soviets have done — and it's strange that Gorbachev chose this route — is to begin with industrial reforms where the pain does come first and the payoff is postponed until the end of the century.

Ideally, the leadership should begin reforms in all sectors at the same time, knowing that the quick gains from agricultural reform will fill in some of the gaps until the payoff from industrial reform begins. But I suppose any reformers begin with only a certain amount of political capital. That is a very simplistic concept, but I think it is true. They must decide where to spend that capital. Doing both industrial and agricultural reform at the same time when deeply entrenched interests must be attacked may just be impossible.

Harding: The leadership also may not have the capacity

to take up more than one reform at a time.

Hewett: And the reformers have to worry about chaos. We asked the Soviet economists why it was taking them so long to implement price reform, why they were being so cautious. The answer from Abel Aganbegyan, Gorbachev's primary adviser, was, "We have to be very careful because if we stumble, no one will pick us up." Which is true. It is one of the many interesting similarities between China and the Soviet Union. Here are two countries with no external constraints on their economic reform but no safety net either, the way Eastern Europe had a safety net in the Soviet Union. Both countries are acutely aware of that. If the party loses control, if it goes too far too fast, it could pay a dear price.

Reforms frequently fail because leaders, afraid of taking risks, put off some of the painful decisions. The result is a multiple of the pain they would have had if they had acted in the beginning. By postponing hard choices, Soviet politicians risk discrediting the reforms, without achieving the results they hoped for.

Harding: That's an important point. There is an additional danger in this middle stage of the reforms when the old system is being phased out and the new phased in. In China, for example, enterprises have been given greater autonomy to make their own investment decisions, more resources with which to invest, and permission to retain a part of the profit generated by correct investment decisions. At the same time, enterprises have not been forced to take the second step, which is to suffer the negative consequences of irrational or inappropriate investment decisions. If an investment works, the enterprise profits. If the investment is a loss, the enterprise is subsidized. Enterprises get the best of both worlds, which is the worst of both worlds for the economy as a whole.

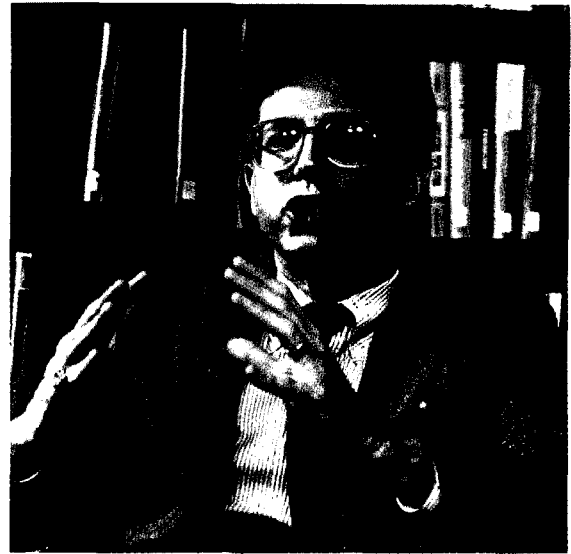
Hewett: What politicians always search for is a situation where everyone wins. You can do that for five, ten years, depending on what reserves you have, but that's not reform. Reform is a very painful process.

Measuring Progress

Review: How do you measure the progress of reforms?

Hewett: The final goal of a reform is a qualitative improvement in the goods and services that are being produced. The intermediate measures that I use to look for progress are things most people regard as signs of trouble: unemployment, reductions in the growth rate, maybe even negative growth rates, strikes. These all indicate to me that serious reforms may be taking hold, that something is happening. When I see the growth rates go up, when I see no signs of social unrest, no firms failing, then there's no reform. It's as simple as that.

That is why we in the United States have trouble following reform. When the economy looks good by the traditional measures we use — which boil down to GNP growth rates and how calm society appears to be — we, and particularly the popular media, say that reform is going well. That is precisely what conservatives in the Soviet Union do. They don't want reform. They like high growth rates and good harvests. I'm looking for signs of trouble, because the trouble will only be short-term — part of the pain we've just been talking about — and will lead to a successful reform.



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Harding: It seems to me that there are two different issues to consider when trying to assess the success of reform. One is the effectiveness and vitality of the economy. For that one would use the same measures that the United States or any other economy uses — the growth rate, increases or decreases in consumption, the rate of inflation, the level of unemployment, and particularly measures of productivity. One also needs to look at the level of subsidies, the amount of deficits and surpluses in the state budget, the balance of payments, and so forth.

Ed just put his finger on a second issue: whether or not the reforms are actually being implemented. There is an enormous gap between rhetoric and reality. In China the gears may be turning around very rapidly at the top, but sometimes nothing moves anywhere else in the society. It is not all that unusual for a reform to be announced in one year, followed two years later by the acknowledgment that absolutely nothing happened and the reform must be launched again. Whether reforms, especially painful ones, are being implemented is very difficult to measure.

Review: What are the likely effects of the reforms for international trade?

Harding: China is going to compete with other countries in Asia, and possibly in other continents, that are at the same level of development — India, for example — in international markets for textiles and relatively simple consumer goods. China's entry into those foreign markets also will help push some of the more advanced developing countries, the newly industrialized countries in particular, out of the lower end of the export mix and force them to move upscale a bit. But nobody has been enormously hurt yet by China's entry into export markets. China is still a minor player. In fact, it only accounts for about the same proportion of world trade today as it did in 1959.

There is, however, some concern that despite, or maybe because of, the success of its economic development, China will soon require substantial net imports of both energy and grain. Some observers question whether international commodity markets will have enough supply to absorb these Chinese demands readily.

Hewett: Unlike China, the Soviet Union has a group of satellite countries to worry about, and one of the interesting points about competition is that to the extent the reforms work, the Soviets will be competing head to head with those countries. East Europeans tell me they wish the Soviets well in their reform. I'm sure they do, but I wonder if they've really thought through what it will mean for them. Eastern European countries are competing at the low end of the trade spectrum where there are few other competitors except, possibly, for Southern Europe. The Soviet Union could enter that market like a bulldozer.

Furthermore, to the extent the reforms work, the Soviets will become much more finicky customers for East European products. This situation will be good for East Europe in the long run, but only because it will be bad in the short run.

A more general point is that successful reforms will make China and the Soviet Union much more active exporters, including in our markets. And here we come up against a conflict between commercial and foreign policy interests. The United States has a very strong foreign policy interest in the success of these reforms. But we have also given a very strong message, at least to Eastern Europe, that we do

not want their new products on the U.S. market. A classic example occurred in the 1970s when we hit the Poles with an antidumping charge and stopped their export of golf carts to the United States. We're going to have to think a little bit more about the links between foreign policy and commercial policy.

Harding: The same thing is true for China. Some provisions of the trade legislation currently under consideration in Congress would make it hard for countries like China to increase exports to the United States.

A Helping Hand?

Review: Ed states as a conclusion a controversial proposition, that it is in our foreign policy interests that reforms in China and the Soviet Union succeed. Why?

Harding: I think not only that it is in our foreign policy interest that the reforms succeed, but that within the limits of our resources and commitments, it is in our interest to help them succeed. If they succeed, it seems to me there is a greater chance that the outcome will be a China whose internal economic and political order is more liberalized, which sees itself as an active, engaged member of the international community, and which is interested in maintaining beneficial and peaceful relations with the rest of the world, including the United States.

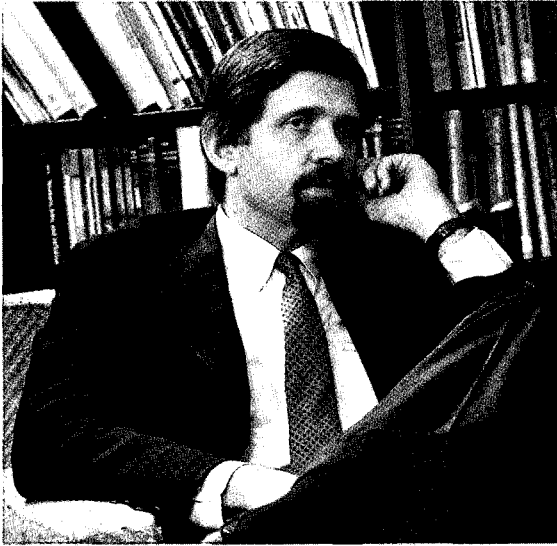
Now, there is no guarantee; the probability of that is not 100 percent. Modernization does not preclude aggression. But I think the probabilities are that a China where reforms have succeeded is more likely to be a peaceful and stabilizing factor in the world than one where reform has bogged down or failed.

It is easier to make the case that we should help by looking at the reverse proposition. An aloof or hostile attitude on our part will only marginally affect the outcome of reform and modernization in China for two reasons. First, whether reform succeeds or fails in China is primarily going to be because of what the Chinese do, and second, other countries are going to take up whatever slack we leave. So all we do by adopting an aloof posture is to antagonize China, without significantly hampering its modernization. Therefore, it makes sense for us to assist China to develop.

Right now help means three things. We should try to work out a sensible trade policy in which protectionism plays the smallest possible part. We should see whether we can do more to be effective exporters to China. And we should continue to make our technology export control policy as reasonable as possible.

The Chinese also have to do some things if their foreign economic relationship with the United States is to reach its full potential. They have to improve their investment climate. And they have to increase the competitiveness of their export products. To do that, they have to continue reform to increase the competitiveness and efficiency of their economy.

Hewett: The argument about whether we should look favorably upon the Soviet reforms is quite similar. It is difficult to see how the Soviets could have a successful economic reform without political change, the sort of change that we could look on favorably. It's a gamble. It is not a certainty, but it is a bet that I'm willing to make. Some people are deeply concerned that the Soviets could manage



"Should we help the reform or try to block it? I favor a third position, one that is essentially neutral."

a successful economic reform without political changes. I might say that Gorbachev is not one of them. Gorbachev started with political reform because he believes that is the only way he can achieve economic reform. He knows that if people feel they have some control over their economic and political lives, they may be more willing to endure the pains of reform.

However, we shouldn't be naive about what a Soviet Union with increased political participation would look like. There are deep sentiments of nationalism in this society, some anti-Semitism, some racism, and those are going to come out. We should also never believe that a reformed Soviet Union will be an easy one for us to deal with. It is always going to be difficult for us to deal with this country. It is a powerful country with interests in the world that won't always be the same as ours.

Should we help the reform or try to block it? I favor a third position, one that is essentially neutral. We shouldn't try to stop it, but we shouldn't go out of our way to subsidize the reform. On this issue, there is a difference between the Soviet Union and China because China is a poor country. We have some reasons to assist poor countries, whether they are reforming socialist countries or reforming capitalist countries. For the Soviet Union, I have no concern in that regard. It is a military superpower that can look after itself.

If we don't actively support the reform, we should not actively oppose it either. That means that at the least we should create conditions for trade with the Soviets that are as good as trade with other countries and give them most-favored-nation treatment. We can push them on human rights in other ways far more effectively than by holding back most-favored-nation treatment. We should offer credit conditions similar to those offered by other countries. We should reduce the commodity control list governing exports to the Soviet Union, consistent with national security concerns.

But these are all measures where we would be helping ourselves; we would be expanding our own markets rather than giving them to Europe or Japan. Beyond these steps

there is very little we should do. In the early 1970s, at the height of détente, some people talked about helping the Soviets to export to the United States, giving them special credits above and beyond what we gave to other exporters. I think that's all crazy.

In the first place, it is not clear that we help a reform that way. The one socialist country that enjoyed easy money in the 1970s was Poland, and that was no help. More important, we are talking about the USSR, not some small country. And if it really wants to be a principal player in the world economy, treated as an equal with the United States, the major European countries, and Japan, it is going to have to earn that position.

Many of the Soviets I know realize that and agree. The Soviet Union is not a charity case. What we need to ensure, though, is that we're ready to deal with it, that we realize this is a different country than we knew under Brezhnev. We don't want to be in the position of trying to put petty obstacles in front of this reform, which would sour the relationship.

Harding: The fact of the matter is that the extent of the private sector's involvement with China and the Soviet Union will be very directly correlated with the success of reform, not for political reasons, but for economic ones. The amount of direct foreign investment going into China, for example, is going to be determined by the perceived hospitality of the investment climate, which in turn will be very highly correlated with reform. In the same way, China's ability to penetrate American and other Western export markets for manufactured goods is also going to be very dependent upon how successfully the reform increases the competitiveness and efficiency of the Chinese economy, and upon how well it rationalizes prices.

Hewett: Ultimately the best thing we can do to help the Soviets in their reform is to make sure that they have as many contacts with Western businessmen as possible, and that through these contacts they learn just how tough a world it is out there. I know some Soviets willing to learn who are astounded and somewhat dismayed by what they are learning. But that's the first step; that's the beginning.

Toward Arab-Israeli Peace: Guidelines for American Policy

Report of a Study Group

EARLY IN 1987, when William B. Quandt of Brookings formed a study group to take a fresh look at the stalled Arab-Israeli peace process, few Americans seemed interested in the region. When the group concluded its work in late February 1988, Israeli-Palestinian clashes were front-page news everywhere, and new American initiatives for peace were being actively pursued.

The report produced by the study group suggests how to get peace negotiations under way and puts forward principles that should inform the efforts of any American president. The group was not homogenous; members differed on many basic points. It is significant, then, that the group was still able to reach a broad consensus on how the United States should use its influence on behalf of peace in the Middle East.

Below is a summary of the report, followed by a list of the study group's membership.

The study group on Arab-Israeli peacemaking reached broad agreement in seven areas.

1. Urgency

Arab-Israeli peacemaking should be a high priority for any American administration. Failure to break the long-standing deadlock in the peace process endangers American national interests. The recent outbreak of violence between Israelis and Palestinians is an indication of the explosiveness of the current situation. For the moment, the violence may compound the difficulties of moving toward negotiations. Even so, possible openings toward peace have been created and should be exploited fully.

2. New Realities

It will not suffice for a newly elected president simply to invoke the diplomatic formulas of the past. Previous initiatives contain some useful building blocks, but a serious policy cannot be developed simply by stringing these formulations together. New realities in the region require new approaches and concepts.

Among the most important of these realities are the emergence of the Israeli-Palestinian confrontation as the most urgent and complex part of the Arab-Israeli conflict; the difficulty of applying the "territory for peace" formula of U.N. Resolution 242 in a straightforward manner; demographic trends that provide a strong incentive to Israelis to reach an agreement with their Palestinian neighbors to keep Israel secure, democratic, and predominantly Jewish; the deepening of the relationship between the United States and Israel to include strategic cooperation; the willingness by most Arab leaders to contemplate some form of settlement with Israel; and the renewed diplomatic activism of the Soviet Union in the region.

3. The American Role

We would like to see a continuous, high-level commitment of American resources to the Arab-Israeli peace process. American leadership can help to create the atmosphere in which negotiations can take place and can also assist in bridging differences on both procedural and substantive issues.

Given the prolonged stalemate in the peace process, attention must be paid to rebuilding the foundations for a negotiated settlement. A relationship of trust between Israel and the United States will be necessary if the peace process is to advance. The United States must also seek to enhance its credibility with Arab leaders. Consultations must take place with all parties before it can be determined whether the circumstances are ripe for moving into formal negotiations.

4. An International Framework for Negotiations

Convening an international conference on the Arab-Israeli conflict is the most widely supported approach to negotiations. While we have some reservations about such a forum, we believe that the idea should be explored seriously by a new administration. Indeed, the effort to organize a conference could help to precipitate the political decisions necessary to negotiate a settlement. If a conference is convened, it should not impose its views on the negotiating parties or be empowered to veto the results of bilateral negotiations.

On the controversial issue of Palestinian participation, we have concluded that Palestinians should be represented in any negotiations with Israel by spokesmen of their own choosing, whether in a joint Jordanian-Palestinian delegation or in some other configuration. The United States should have no objection to the participation of Palestinians who are on record as being prepared to coexist with the state of Israel, are committed to peaceful negotiations, can contribute to that objective, and renounce the use of force. Palestinians are unlikely to come forward to negotiate with Israel without having the implicit or explicit endorsement of the Palestine Liberation Organization (PLO).

5. Basic Principles for Arab-Israeli Peace

We believe the United States should formulate a strategy for promoting Arab-Israeli peace based on the following points:

- In order to achieve broad Arab-Israeli peace, both Israel and the Palestinians must be directly involved.

- A recognition that the area defined as the former mandate of Palestine west of the Jordan River is home to both peoples is essential to a reconciliation between Israelis and Palestinians.

- Israelis and Palestinians will have to work closely with the Hashemite Kingdom of Jordan, a majority of whose citizens are Palestinians, in shaping a peace agreement. Negotiations must encompass the political and economic relationships among the three parties.

- Under international sponsorship, Israel and Syria should be encouraged to negotiate peace based on the principles of U.N. Resolution 242.

6. Transitional Steps

Within these guidelines, we believe that some form of transitional arrangements must be part of the next phase of Arab-Israeli peacemaking. The atmosphere for peacemaking would be significantly improved by the following sorts of steps, some of which could either precede formal negotiations or be part of an interim agreement:

- ceasing all forms of violence;
- ending the state of belligerency and economic and diplomatic boycott between Israel and its Arab neighbors;
- minimizing the Israeli military presence in populated areas of the West Bank and Gaza;
- placing substantial authority in the hands of West Bank and Gaza Palestinians, especially with respect to land, water, economic activity, and political organization; and

—halting new Israeli settlements and land expropriation in the occupied territories.

The United States should also support free elections to municipal councils as an essential step that would allow Palestinians to select their own leaders for purposes of self-government and as possible participants in a Palestinian negotiating delegation.

For Palestinians to find merit in these interim measures, they must be seen as part of an ongoing process that leads to negotiation of a comprehensive peace that meets their political aspirations. For Israelis to support them, they must be compatible with Israel's assessment of its security interests and be judged as having intrinsic merit.

A transitional arrangement should also be negotiated for the Golan Heights that would enhance mutual security there, return territory to Syria, and establish a new relationship of nonbelligerency as a step toward an overall peace settlement.

7. A Long-Term Vision of Peace

We believe the United States is uniquely positioned to articulate a vision of how Israelis, Palestinians, and other Arab parties can attain their rights to security and to self-determination through a political formula based on ideas of peaceful interchange, political pluralism, and the exchange of "territory for peace" as envisaged in U.N. Resolution 242. Federal or confederal arrangements that would reflect distinctive national identities, while at the same time permitting political and economic linkages among the individual political units, might be an appealing formula.

We envision a future in which borders would not be physical barriers; citizens of one political entity could live safely, and with recognized rights, elsewhere in the region; and economic transactions and movement of individuals would be subject to few restrictions. A regional economic plan with international support should complement such a political settlement and help to ensure its viability.

Jerusalem will be internationally recognized as Israel's capital under any future peace agreements. But Jerusalem is the center of Palestinian aspirations as well. Therefore, a peaceful Jerusalem should remain a unified city, with guaranteed freedom of worship and access, and political arrangements should be found that reflect the nature of the city's population.

Finally, we want to emphasize that the details of an Arab-Israeli peace settlement should not be dictated by the United States or any other outside party. From the standpoint of American interests, the important point is that any agreement be durable. The United States will doubtless benefit by a widening of the scope of Arab-Israeli peace. How that is done is less important than that it be done, and that the process start soon.

Members of the Study Group

Alfred Leroy Atherton, Jr., Commonwealth Fund; Hermann F. Eilts (cochairman), Boston University; Larry L. Fabian, Carnegie Endowment for International Peace; David M. Gordis, Wilstein Institute, University of Judaism; Rita E. Hauser, Stroock & Stroock & Lavan; Paul Jabber, Council on Foreign Relations; Geri M. Joseph, Hubert H. Humphrey Institute of Public Affairs; Rashid I. Khalidi, University of Chicago; Judith Kipper, Brookings Institution.

Samuel W. Lewis (cochairman), United States Institute for Peace; Ian S. Lustick, Dartmouth College; Charles McC. Mathias, Jones, Day, Reavis & Pogue; Fouad Moughrabi, University of Tennessee; Robert Neumann, Center for Strategic and International Studies; William B. Quandt (coordinator), Brookings Institution; Harold H. Saunders, Brookings Institution; Henry Siegman, American Jewish Congress; Kenneth Wollack, National Democratic Institute for International Affairs; Casimir A. Yost, World Affairs Council of Northern California.

Affiliations noted only for purposes of identification.

The Real Problem with Suburban Anti-Growth Policies

Anthony Downs

PROTESTS AGAINST further commercial real estate development in the nation's suburbs are getting louder. Residents who formerly welcomed additions of new commercial property to their local tax bases in order to reduce their property taxes are now fighting to limit such growth. Rising traffic congestion around major suburban retail and office clusters in large metropolitan areas is the central cause driving these protests.

Anti-growth sentiments are also influencing attitudes toward downtown office development in many big cities (see box, p. 29). But they have already become the single most powerful force affecting suburban politics in most major metropolitan areas, so they are likely to shape suburban policies for some time to come. It is appropriate then to ask what the consequences of anti-growth policies are likely to be. Will limiting suburban growth really reduce traffic congestion? What other consequences are growth-slowing policies likely to have on both suburbs and the surrounding metropolitan area?

The Traffic Congestion Problem

Recent controversy about development in many fast-growing metropolitan areas has its main roots in rising traffic congestion, especially in suburban communities. Families who moved to the suburbs to enjoy peace, quiet, and freedom from crowding and congestion are dismayed when rising densities and soaring traffic congestion invade their once-quiet sanctuaries. Because this situation threatens to get worse if rapid growth continues, these suburbanites are demanding that limitations be placed on the size and speed of growth, both residential and commercial.

There is no doubt that suburban traffic congestion has worsened in the past few years. However, greater congestion has two types of causes: deliberate public policies and deliberate household behavior patterns.

Not long ago, suburbanites unhappy with high property taxes on their homes encouraged local and county governments to permit more commercial development as a source of greater tax revenues. Recent rapid growth in these areas is therefore partly a result of public policies deliberately designed to accelerate it. These policies coincided with other social forces encouraging more and more jobs to locate in the suburbs instead of big cities, especially in new office clusters around major shopping centers. Those forces included rising downtown office rents, greater use of automobiles, telecommunications improvements, and the desire of some employers to escape from high crime rates and lower-quality labor forces in big cities.

Whatever its causes, outlying commercial and other nonresidential development has surged, and most suburbanites blame it for increased traffic congestion.

Anthony Downs, a senior fellow in the Brookings Economic Studies program, is a former chairman of the board of the Real Estate Research Corp. and is the author of several books on real estate, including The Revolution in Real Estate Finance (Brookings, 1985). He is currently at work on a book to be titled The Evolution of Modern Democracy.

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This belief results from the high visibility of such development and the concentration of traffic around major nodes like Tyson's Corner in Fairfax County, Virginia, the Oakbrook Shopping Center outside Chicago, and the John Wayne Airport in Orange County, California.

In reality, the major causes of increased suburban traffic lie in the behavior patterns of the same households who are now complaining about it. Three of their desires are mainly responsible. One is living at relatively low residential densities. This requires spreading housing units over large areas that can be served efficiently only by private automobiles. Yet suburbanites oppose higher residential densities, even though in the long run such densities would permit shorter average commuting journeys and therefore less overall travel, which might make more use of public transit feasible.

The second desire is enjoying a wide choice of combinations of where to live and where to work. Most Americans do not initially choose these locations to minimize commuting time, but give priority to other values, such as the qualities of their jobs and their home environments. The scattering of jobs around the entire metropolitan area makes it impossible for most people to commute by public transportation, as more could if most people worked in major downtowns. Public transit cannot work well if homes and workplaces are highly dispersed; yet dispersion is what most Americans desire.

The third desire is commuting by private car, usually alone, because of the much greater convenience, luxury, and privacy of this mode. Public transportation is something most Americans want other people to use so those other people will get off the roads they themselves want to drive upon.

Pursuit of these three desires by the vast majority of metropolitan-area residents has made increasing suburban traffic congestion inevitable, no matter how much or how little commercial development occurs there. This fact is shown most dramatically by the expanding use of vehicles. From 1970 through 1986, the number of human beings in the United States rose by about 37 million, or 18 percent. The number of cars and trucks in use rose by 64 million, or 65 percent — 27 million more than the number of people. During the same period, the number of miles of roads and streets rose by less than 5 percent. From 1984 through 1986, the number of vehicles in use soared an average of 5.0 million a year — more than double the increase in people in those same years (see figure 1).

This unprecedented "automotive vehicle population explosion" is the single most crucial cause of rising traffic congestion. Traffic congestion is the balancing mechanism that reconciles the competing desires of thousands of people to travel to the same destinations, or over the same roads, at the same time. It does so by lengthening the time of their journeys, since something has to give because of the overloading of roads at peak hours.

Some Possible Short-Run Remedies

Are there any remedies for rising suburban traffic congestion? Yes and no.

Really powerful short-run remedies would require charging huge auto license fees, perhaps \$500 a year; collecting high parking taxes on *all* office and industrial

parking spaces put into use during the morning commuting period; requiring all employers to provide subsidized van pools; and prohibiting all free parking for workers. Such steps would raise the cost of commuting alone by automobile so high that many workers would be forced to use public transit or van pools or shared-occupancy cars.

Transportation economists have recommended such actions for years as a "market-oriented" way to reduce congestion. But, like all market-oriented solutions, they provide the greatest opportunities for those people with the highest incomes. Since vastly more voters are less affluent, such "remedies" are politically unthinkable in a democratic society where 90 percent of all households own at least one car or truck, and over 50 percent own two.

Some politically feasible actions would reduce congestion in the short run — probably for a few years — so they are certainly worth considering. These short-term solutions include building more roads, staggering work hours at major office complexes, encouraging van pools, creating more designated lanes for buses and high-occupancy vehicles, and revamping some electronic traffic management. But experience proves that if these steps succeed in increasing highway capacity, even more people will use vehicles in the long run.

The Ultimate Remedies

The ultimate remedies to rising traffic congestion combine two other elements. In the very long run, people will reshuffle their home and job locations so that, on average, they will live nearer their work. This reshuffling does not mean that people will move in closer to existing jobs. As noted before, residents in almost every close-in neigh-

borhood bitterly oppose any increases in densities, so little net inward movement can occur.

Instead, existing jobs will gradually move farther out toward, and even beyond, where people now live. Moreover, most net new job additions will occur in outlying areas. Thus, the long-run result will be even more sprawl than we have now, tempered somewhat by some staggering of work hours, and some work at home to permit commuting during nonpeak periods.

The second part of the ultimate remedy can be applied right away. It is learning to enjoy traffic congestion. Get yourself a comfortable air-conditioned car with a stereo radio, a tape deck, and a telephone, and commute daily with someone you really like. Then relax and enjoy this interlude in your busy day! After all, most Americans are far too busy — we all need more leisure time.

Possible Effects of Limiting Growth

The most common response to traffic congestion, other than sheer frustration, is local adoption of various limits on further growth. These limits can be placed on future commercial growth, or future residential growth, or both. The city of Los Angeles, for example, has recently "down-zoned" all of its commercially zoned land to one-half of previously allowed densities. Some cities in Contra Costa County in northern California are considering banning further commercial development until traffic congestion lessens. In fast-growing Fairfax County, Virginia, voters have just thrown out a pro-development government in favor of a new slate of anti-growth officials. How effective will these tactics be at reducing traffic congestion?

Even if future growth were totally prohibited, *existing*

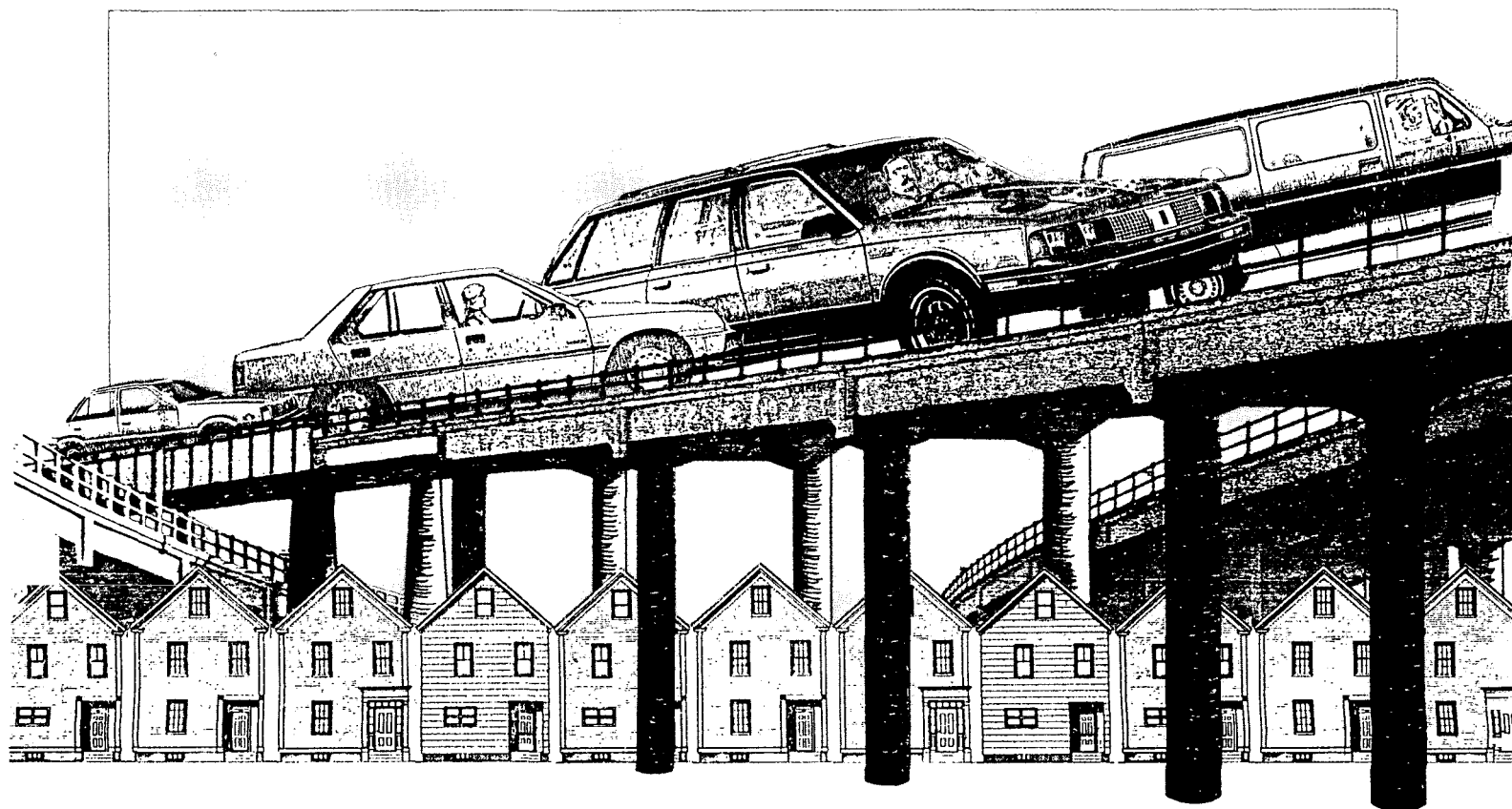
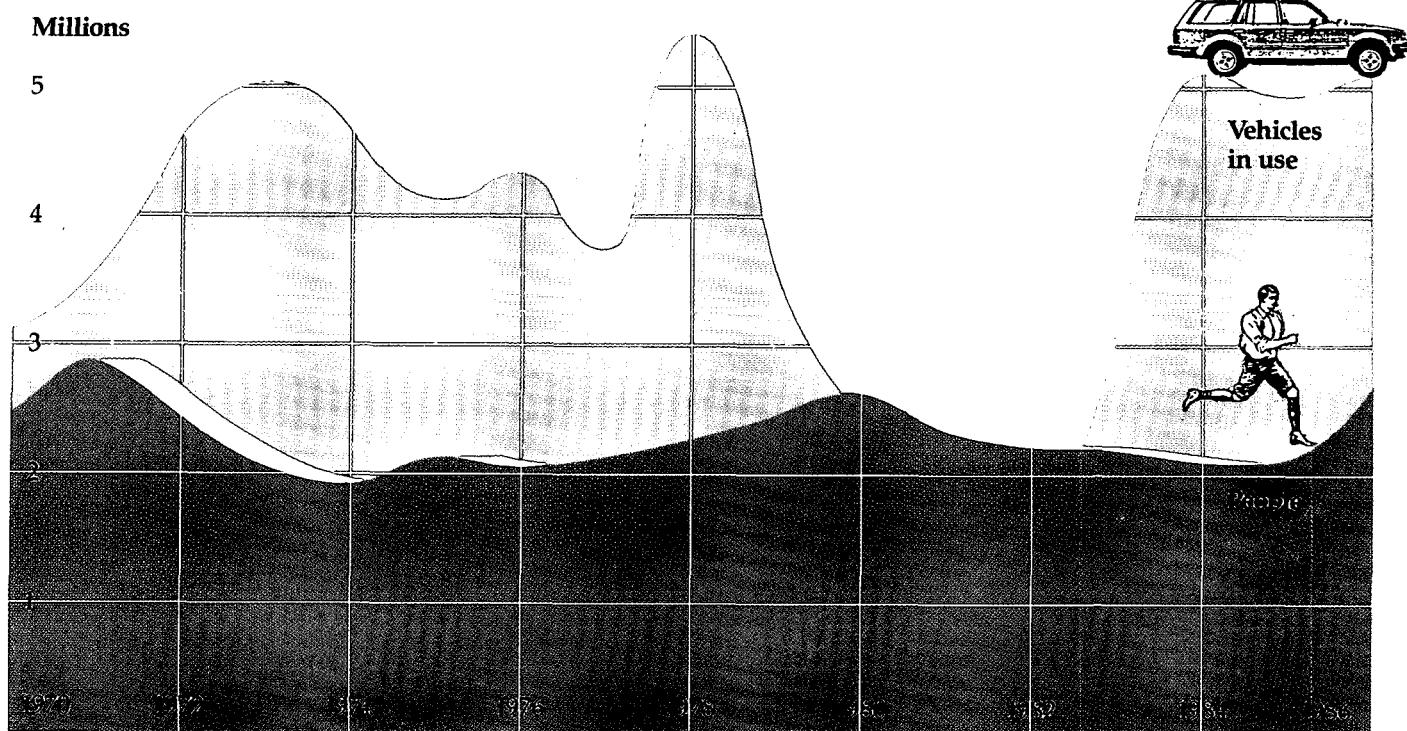


Figure 1. Annual Increase of People and Vehicles, 1970–86

Sources: Census Bureau, Motor Vehicle Manufacturers' Association.



traffic congestion would not fall one bit. In fact, it would become marginally worse as the existing population increased its vehicle usage per household. But the rate of increase in congestion would be much lower than if more growth were permitted.

If all suburban commercial growth were prohibited, but residential growth were allowed, new jobs would either locate in the city or in other metropolitan areas. In the first case, suburban congestion would continue to get worse if the added people in those new city jobs lived in the suburbs. Yet that would be very likely, given the resistance of close-in neighborhoods to higher densities. So the added population would almost certainly reside in the suburbs — especially far-out ones requiring long commuting.

If the added jobs went to other metropolitan areas, the price of no greater traffic congestion would be no further employment growth in the whole metropolitan area adopting such stringent growth limits. Residential property taxes would go up to pay for improved or more schools, roads, and other infrastructure. If suburban residents are not willing to pay that price — and I do not believe they are — they will have to endure increasing traffic congestion.

True, greatly limiting, but not ending, commercial and residential growth would slow the rate at which congestion worsened. If such limits were combined with short-run remedies, the situation might even be improved for a while. But rising traffic congestion cannot be stopped altogether in any metropolitan area where total employment increases and people continue to insist on low densities and the right to drive private cars to work and other activities. There is no evidence that American suburbanites are willing to forgo

these goals, in spite of greater congestion. Nor is it clear that most Americans want the economic growth of their entire metropolitan areas to cease altogether. However, if anti-growth sentiments continue to strengthen, that view may gain support in more and more places.

Loading Costs onto Development

Suburbs also slow growth by forcing developers to pay higher shares of the total costs associated with new development, making development less profitable. These costs include building roads, streets, sewers, waste disposal systems, schools, parks, and water systems, projects that local governments once covered fully themselves through bond issues. Today, many suburban governments require developers of new residential subdivisions to install their own streets and utilities, provide land for schools and funds to build them, contribute park sites, and sometimes pay for facilities unrelated to their own new projects. Some communities also charge exorbitant building permit fees. One California city requires a fee of \$16,000 per new home — far in excess of its costs of building the new facilities to serve each new home. The mayor regards creating this fee as his most brilliant political feat. It has helped generate an overall city budget surplus, permitted him to reduce property taxes on existing homes, raised local housing prices and thereby enriched existing residents, and firmly entrenched him in office!

Loading more and more of the total marginal costs of new development onto the new projects themselves, instead of spreading them over the whole community, has several key effects. One impact of these "exactions" results

from uncertainties associated with the way many of them are administered. Instead of establishing clear rules about how much additional cost each type of project will have to bear, many communities use "make-me-an-offer" approaches, negotiating different deals with developers of each project. Because developers do not know ahead of time what some of their major costs will be, advance planning of new developments is extremely difficult. Many developers believe they can live with almost any set of rules, as long as those rules are set forth clearly in advance and not changed constantly.

A broader consequence is that these fees raise the market prices of all new housing, since developers pass the higher costs on to their customers. And these fees also raise the prices of existing units in rapidly growing suburbs, because they no longer have to bear the property tax burdens of paying for the bonds to finance new elements of the community infrastructure.

This increase in all housing prices tends to aggravate the already considerable spatial separation of low- and moderate-income groups (those with incomes below the median) from middle- and upper-income groups within U.S. metropolitan areas. That in turn increases the shortage of low-wage workers that has recently emerged in many fast-growth suburban areas. This shortage will get much worse because of the smaller number of young workers entering the labor force in the 1990s and lower immigration of low-wage workers under the new immigration law. As a result, such workers — when they can be hired at all — will have to drive from farther and farther away, thus adding to local traffic congestion.

Higher housing costs also reduce the total number of new units built in each metropolitan area as a whole, compared with what would have been built if costs were lower. But expansion of a particular community may not be reduced. Thus anti-growth residents of those localities that adopt such tactics may not gain from lower growth within their own communities, even if the total number of new units built in their metropolitan area declines.

The Missing Element in This Controversy

This whole controversy about traffic congestion and growth limits is mostly between two relatively well-off groups: current suburban residents on the one hand, and real estate developers and relatively well-off potential entrants to suburbia on the other hand. Both groups tend to ignore a much deeper issue connected with metropolitan growth: continued exclusion of the poor from the suburbs — and thus from nearly all the benefits of suburban growth.

The way U.S. metropolitan areas are structured prevents most low-income residents from gaining access to the jobs, better schools, and better residential environments of the suburbs. Such exclusion does not seem to be the deliberate result of any particular policies, since it operates through a combination of local zoning rules and market forces. Moreover, the whole process is based upon two principles most Americans would readily accept.

One is that people have a right to live in neighborhoods with others approximately like themselves in terms of socioeconomic status (but not in terms of race, since our society has rejected the legitimacy of racial residential

segregation, although many people still practice it). That sounds quite reasonable. But if the wealthy live mainly with other wealthy people, the middle class mainly with other middle-class households, and the working class mainly with other working-class residents, that means most very poor people are compelled to live with other very poor people. The resulting concentration of poverty produces destitute neighborhoods in which opportunities are nowhere near equal to those available elsewhere. Hence this reasonable-sounding principle leads to unjustly depriving many poor people of equal opportunities to live under decent neighborhood conditions.

The other principle is that people have a right to try to protect their own neighborhoods from any losses in property values or life-style quality. That also sounds quite fair and reasonable. But in practice, it means excluding poorer people by deliberately making it too expensive for them to move into nonpoor areas.

These principles are reinforced by strong demands for land in fast-growth suburban areas. Land costs rise so high that even high-density housing is unaffordable for many moderate-income families, to say nothing of low-income households. Big housing subsidies would be required to bring units in these areas within reach of such households.

The Undesirable Results

As a result, whole subregions of many very large metropolitan areas are now residentially inaccessible to most households with low or moderate incomes. This has already created an acute shortage of workers for relatively

The Role of Local Prosperity

A striking aspect of anti-growth policies is that they appear almost entirely in communities enjoying rapid rates of growth and high levels of economic prosperity. It is no accident that most of the examples cited in this article are from New England or California, both of which have booming economies. Areas with depressed economies are trying everything they can think of to attract more jobs, not discourage them. One does not hear about anti-growth policies in Buffalo, Houston, Cleveland, or Duluth. Those few suburbs in these metropolitan areas that have expressed anti-growth sentiments have experienced rapid growth and high-level prosperity within their local boundaries despite high unemployment in their metropolitan areas as a whole.

In addition to long-run suburban expansion and increased congestion, anti-growth policies in U.S. suburbs are also related to the long period of expansion the U.S. economy is experiencing. If and when another recession appears, those areas it hits hard will probably tone down any anti-growth sentiments now evident there. Anti-growth attitudes in general may thus have an overall cyclical quality. They are likely to intensify toward the end of economic expansions and soften during recessions.

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low-wage jobs in those regions — and the shortage will get worse. Many suburban employers must now hire elderly workers because they cannot find young ones willing to take low-wage jobs.

But the worst result is our continuing failure to provide decent educations to millions of our young people. At this moment, over 25 percent of all U.S. children under age 16 are black or Hispanic. Most go to school in big-city systems where they receive low-quality educations. Our nation cannot compete in global markets with well-educated Japanese and Europeans if we fail to improve our youngsters' skills. It is not just their welfare that is at stake, important as that is, but the welfare of all Americans.

In my view, this failure is the greatest moral scandal and the greatest social problem our nation faces today. Yet suburban growth-slowness policies will worsen this situation by increasing suburban housing costs even more and thus widening the distance between fast-growth suburban economies and under-employed city residents.

To overcome the shortage of low-wage workers, some suburban employers have started to subsidize transportation for low-income city residents to journey to work in suburban establishments. If the use of employer-supported buses, van pools, mini-van commuting runs, or transportation allowances for workers becomes widespread, it could reduce relatively high inner-city unemployment rates, as has begun to happen in the Washington, D.C., area. Suburban employers may also begin offering privately financed training to their inner-city workers to compensate for the low-quality educations those workers received in big-city public school systems.

However, suburbs themselves cannot effectively open their borders to housing for low-income households — even if they want to — without major housing subsidies. Such subsidies must be financed by the federal government. Only the federal government can tax its nonpoor residents to aid the poor without driving many of those nonpoor residents beyond its boundaries to escape such taxation. Local and state governments cannot do so without such out-migration, as many big cities have discovered.

Yet there seems little likelihood that the federal government will support such subsidies anytime soon. The Reagan administration has been trying to shift the financing of such resource-redistributive activities from federal to state or local levels. In effect, its policy is to cut those activities way back, since state and local funding cannot replace federal funding of this type.

Are Growth Limits Morally Sound?

Since the first colonial settlers arrived on our shores, America has been a land in which newcomers constantly invaded the established territories of others, often greatly upsetting those others, sometimes quite unjustly. Yet, as a nation, we have profited immensely more by accommodating to the changes caused by newcomers than by preventing them. The desire of the last-arriving suburbanite to freeze the local environment unchanged, now that he or she has arrived, is a natural and quite understandable human desire.

Moreover, there is surely some rate of growth in each suburban area that can reasonably be considered "excessive" in relation to the quality of life there. When new

Downtown Anti-Growth Policies: Symbols of Concern

Downtown anti-growth policies are different from their suburban counterparts in several important respects. One concerns their causes. Suburban anti-growth attitudes are mainly responses to rising traffic congestion and greater crowding in all sorts of suburban facilities. Downtown anti-growth policies have two basic causes. Residents of outlying city neighborhoods resent the large amounts of city funds spent to expedite downtown office projects, while local needs seem to go unmet. Reductions in federal aid to big cities during the Reagan administration have heightened this resentment. The second cause is a desire among some city residents to preserve the urban landscape unchanged by further high-rise development. The first cause has been dominant in Boston and the second in San Francisco — the two cities that have adopted the most stringent policies limiting downtown office development.

A second difference between suburban and downtown anti-growth policies concerns their scale and effectiveness. Only a few big cities have adopted serious anti-growth measures, whereas many suburbs have done so, and more soon will. Furthermore, suburban anti-growth tactics are likely to have major impacts upon future development, but most downtown anti-growth policies are essentially symbolic gestures of concern. They are too small in scale to solve many of the problems at which they are aimed.

One common anti-growth tactic is to require downtown developers to pay so-called linkage fees that are used to create additional housing for low-income households, day-

care centers, and other community benefits. But few cities have enough downtown office development to generate fees of sufficient size to support many other activities, especially the construction of low-cost housing. Ironically, San Francisco has limited the amount it can raise for such support from linkage fees by placing a very low “cap” on annual downtown office construction. (However, the residents of San Francisco have checked downtown development mainly for aesthetic reasons, rather than financial ones.)

Nevertheless, many big-city politicians support linkage policies to demonstrate their awareness of neighborhood voters’ resentment against “rich developers” getting tax benefits from the city to build new downtown office towers. This is true even though taxes on downtown properties support many public services distributed all over the city; hence using public funds to help downtown developers often aids all city residents.

Yet symbolic gestures of concern are not necessarily meaningless or undesirable; they play key roles in American politics and legislation. Many government programs — even whole federal agencies and departments — are symbolic gestures of concern. Congress adopts them to show its willingness to “do something” about certain visible problems, but then funds them on too small a scale to truly remedy those problems. Both the Economic Development Administration and the Department of Housing and Urban Development could plausibly be considered in this category.

building is so rapid and massive that it grossly overloads local schools and roads and sewer systems, a community should have some right to limit the rate at which such growth occurs. But the rising traffic congestion that most suburbanites regard as a sign of excessive growth has been caused as much by the behavior of those already living there as by expansion of their numbers. Furthermore, the remedies they are adopting are unlikely to reduce congestion. Their main impact will be to strengthen exclusion of those with relatively low incomes from enjoying the economic, educational, and other benefits of suburban living.

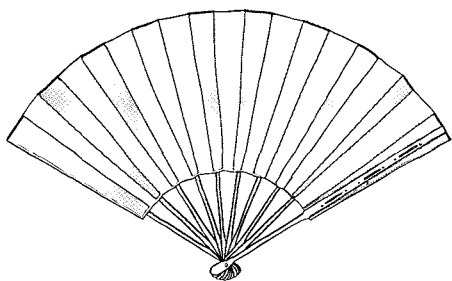
Yet no political force calls for a “balanced” society in the suburbs. The nonpoor majority has rigged the game so that most poor are not represented there. The poor cannot vote against or otherwise very forcefully object to their own exclusion. This unjust situation is not likely to change until nonpoor suburbanites suffer an intense shortage of unskilled labor that costs them much more dearly than it does now — if it changes then.

In conclusion, one of the most important aspects of existing policies concerning metropolitan growth — the continued exclusion of the poor from sharing in the fruits

of suburban economic prosperity, and from contributing to those fruits — is not even a significant part of the current dialogue about growth in most areas. At present, that dialogue concerns which part of the relatively affluent suburban population should capture the benefits of suburban living: those already living there, or developers plus those who want to get in on the act and can afford to do so without direct subsidies (though they are aided by the sizable tax benefits of homeownership).

I believe that current exclusion of the poor and even most moderate-income households from much of suburban life should at least be partially ameliorated. It is crucial that all of us who share this belief continue pursuing two goals. One is to expand the dialogue on suburban growth in metropolitan areas to include this vital part of the issue.

This goal cannot be achieved, however, until a second is attained. That goal is to change the views of the federal government on housing subsidies, however long it takes. Until federal subsidies for low-income housing are again expanded to a more reasonable scale — even if they are housing vouchers — not much progress can be made toward opening suburban economic and other opportunities to low-income households.



Party Politics in Japan

Akira Nakamura

JAPAN IS IMPOSSIBLE to understand." During my sabbatical year in the United States, I heard that comment again and again. To many Americans, Japanese politics and policies do indeed seem inscrutable. Events frequently do not appear to square with "Western ways of thinking." Policies taken by the Japanese government appear neither rational nor logical, and politics seem moved by totally unfamiliar forces. Even some American specialists in Japanese affairs tend to describe Japanese government and politics in terms of "Oriental mysticism."

This apparent incomprehensibility has grown more frustrating to Americans as economic tensions between the countries mount. Americans do not understand why Japanese leaders focus their attentions almost exclusively on domestic issues, showing a relative insensitivity to unresolved, pressing international issues, and why Japan does not act like the economic superpower it is.

I suggest that Japanese political behavior is not as mysterious as some Americans would like to believe. I even contend that in many important respects it is not all that different from American politics. To see those similarities, however, the non-Japanese audience must understand two essential features of Japanese politics: the high incidence of factionalism within the governing Liberal Democratic party (LDP) and the rise of fragmented policymaking. American observers should always keep their eyes on these two factors, for they are the keys to understanding the "enigma" of modern Japanese politics.

For more than 30 years the Japanese government has been dominated by the conservative Liberal Democratic party. The LDP has been in power since 1955, holding a majority in the two-chamber Diet and naming the prime minister and the cabinet. Furthermore, so weakened is the collective political strength of Japan's opposition parties, including the LDP's chief rival, the Japan Socialist party, that the LDP is certain to retain power for the foreseeable future.

Factionalism and Spectator Democracy at Work

Akira Nakamura, a professor of political science at Meiji University in Tokyo, was a guest scholar in the Brookings Governmental Studies program in 1987. He is a coauthor of The Japanese Party System: From One Party Rule to Coalition Government (Westview Press, 1986), which was a major source for this article. He is grateful to the editor of that book, Ronald J. Hrebennar of the University of Utah, for his invaluable assistance on this article.

This near-permanent LDP rule has produced perhaps an inevitable but disturbing trend in Japanese politics: important policy decisions, including who runs the country, have increasingly become the internal and private affair of the LDP, subject to little if any public participation or scrutiny.¹ For the majority of Japanese, the Liberal Democratic party is an exclusive private club, over which nonmembers have no control and little or no input. Instead of being even slightly involved in major policy decisions, the ordinary Japanese citizen is usually only a spectator of the political dramas staged by the LDP. For some it is a frustrating experience. But the large majority of the public regards this spectator democracy

as the price to be paid for three decades of political stability and economic expansion.

The recent change in the leadership of the LDP and the Japanese government is a good illustration of both factionalism and spectator democracy in play. Yasuhiro Nakasone's tenure as the president of the LDP — and prime minister of the country — expired on November 6, 1987. A 63-year-old and rather rustic Noboru Takeshita replaced him, but only after a protracted process of consensus-building (*nemawashi*) occurred behind the scenes.

The Liberal Democratic party is notorious for its factionalism. According to some analysts, the LDP is not a political party, but a political organization made up of a coalition of several powerful factions. Currently, there are five major factions within the party, led by Takeshita, Kiichi Miyazawa, Shintaro Abe, Toshio Kōmoto, and Nakasone. Of the 764 Diet seats (512 seats in the House of Representatives and 252 in the House of Councillors), the Liberal Democratic party controls 446 (58.4 percent). Of those, 120 belong to the Takeshita faction. Miyazawa, Abe, and Nakasone count 89, 88, and 87 members, respectively; and Kōmoto has 31 followers. Finally, a small faction is led by Susumu Nikaido, a former subleader in the faction of former Prime Minister Kakuei Tanaka, who lost power when Takeshita took control of the faction in 1987 (see table 1).

Each faction maintains its own headquarters with full staff support and holds meetings on a regular basis, all independent of the Liberal Democratic party. In other words, the factions in the LDP behave and function as separate political parties within the party. The size of the Takeshita faction in the Diet is comparable to that of the largest opposition party, the Japan Socialist party, which controls a total of only 127 seats in both houses.

A score of theories has developed to account for the rise of factionalism in the conservative party. Some analysts attribute it to the system of electing members of Japan's lower chamber, the House of Representatives (multi-member, single-vote election districts). Others emphasize the group orientation of Japanese society. One of the most convincing explanations, however, can be found in the process established for selecting presidents of the LDP. The

bylaws of the LDP set forth two methods. If more than four candidates seek the party presidency, a two-stage selection process takes place. The first stage involves the American equivalent of a primary election, in which the members of the LDP register their preferences.² The LDP Diet members then choose between the two top vote-getters. The candidate who garners a simple majority in the runoff contest is declared the party president and, thus, the prime minister of Japan. If there are fewer than four presidential contenders, then the primary election stage is omitted, and the president is chosen by a vote of the LDP Diet members.

To win these internal party elections, a prospective candidate tries to solidify his support by forming a faction of Diet members that outnumbers those of his opponents. If he cannot muster a majority, he has to attract the support of other factions and form a winning coalition, just as coalitions are formed under a multiparty coalition government system. On the surface, at least, Japanese politics have been extremely stable during this period of Liberal Democratic party domination. However, underneath lies a highly volatile organization with its factional alignments and coalitions constantly changing, usually in response to party presidential elections.

Bypassing Elections

In the name of party harmony and unity, and despite the party rules, the LDP occasionally forgoes the election process altogether. That is what it did in October 1987.

Three contenders sought to succeed Nakasone: Takeshita, Miyazawa, and Abe. Under the party bylaws, the president should have been selected by a vote among the LDP Diet members. Of the three candidates, Takeshita had the most supporters (120 LDP Diet members), but far fewer than the majority needed to win the office. The Takeshita faction, therefore, had to court both the Abe and Kōmoto factions. Miyazawa, with only 89 followers, knew that he was unlikely to win if an election were held. In lieu of the "required" election, Miyazawa called for a negotiation among the candidates to name Nakasone's successor. Abe was caught in the middle. Although he himself was inclined to support holding the election, it was unlikely that he could put together a winning coalition.

Because none of the candidates seemed to command a decisive majority, LDP Diet members grew increasingly ambivalent about an election, favoring instead a negotiation for the sake of the party consolidation and solidarity. The candidates consequently held a series of marathon bilateral conferences in hotel suites and teahouses in downtown Tokyo. Takeshita conferred with Abe, while Abe talked to Miyazawa, and Miyazawa met with Takeshita, all in long, very strenuous discussions. Each man steadfastly insisted that he should be named president; the discussions merely confirmed the deadlock.

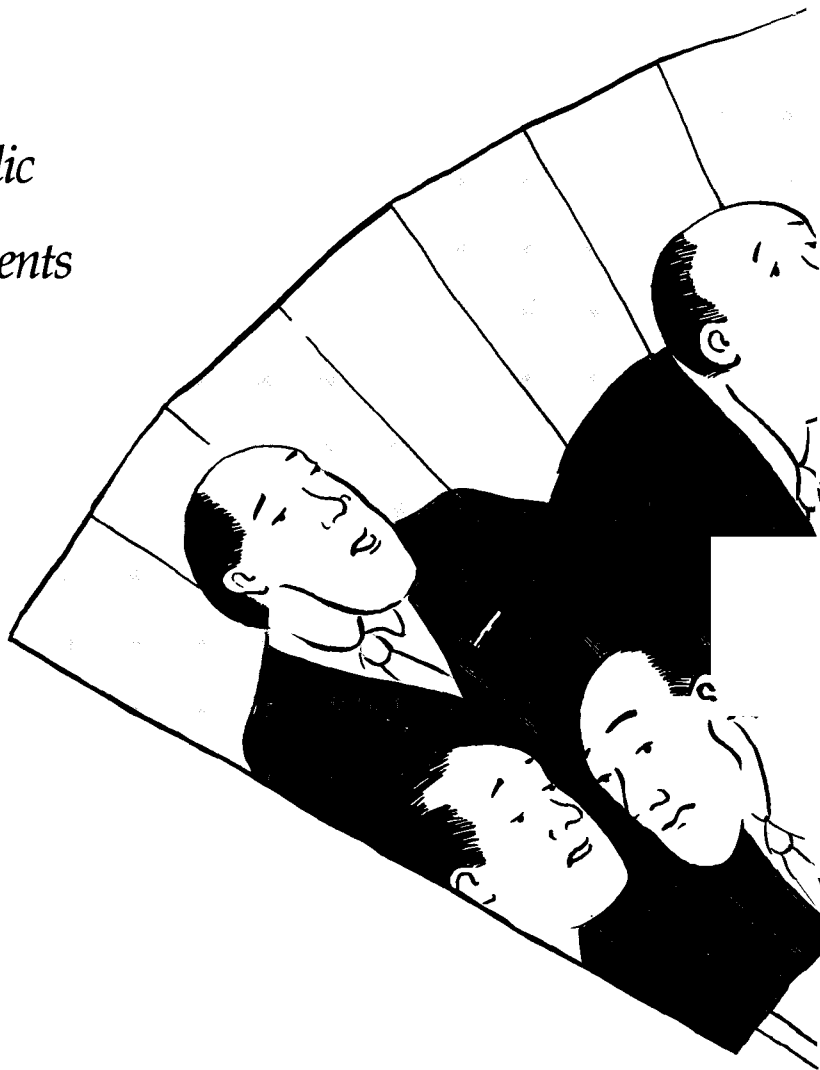
To break the impasse, the LDP took an unprecedented step. The three candidates agreed to ask Nakasone to pick one of them as his successor. Although the outgoing president had maintained a neutral posture toward the contenders, he must have been pleased with the opportunity to choose the one through whom he might be able to continue to dictate party affairs. Nakasone sought the seclusion of his resort villa to ponder his choice. In late October, he called on Takeshita to assume the leadership of

Table 1: Factions in the LDP

	Lower House	Upper House	Total
Takeshita	72	48	120
Miyazawa	61	28	89
Abe	59	29	88
Nakasone	62	25	87
Kōmoto	25	6	31
Nikaido	12	4	16
Others	11	4	15
Total	302	144	446

Source: *Mainichi Shimbun*, November 7, 1987, p. 2.

"Although the media kept the public informed about general developments in the selection process, what actually was discussed in the candidate negotiations was anyone's guess, giving these closed-door conferences a strong undemocratic aura."



the party and the country. Miyazawa and Abe openly promised to support the new Takeshita administration.

To an American, these political developments may seem strange, the equivalent of President Reagan naming his successor before leaving the White House. A number of Japanese felt the same way and were appalled by the rather idiosyncratic turn of events. Although the media kept the public informed about general developments in the selection process, what actually was discussed in the candidate negotiations was anyone's guess, giving these closed-door conferences a strong undemocratic aura. Furthermore, the process the LDP used meant that Japanese citizens were excluded from expressing a preference about who should be the next prime minister.

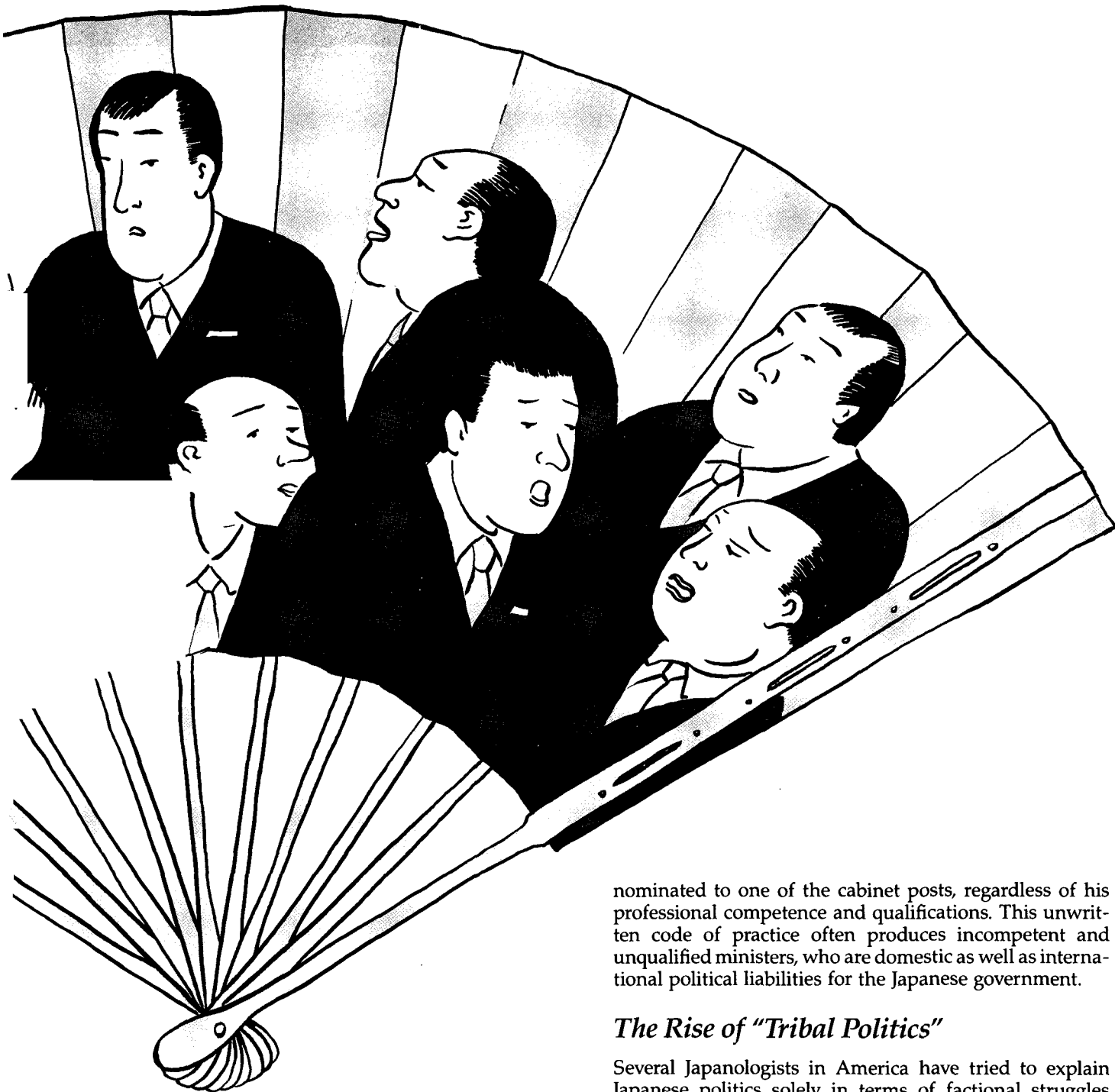
By keeping the selection process so private, the LDP leaders followed the established political tradition of conservative politics. But they could have resolved the impasse — and improved the health of Japanese democracy — by calling for an election by the party Diet members, if not by the entire party membership. I am one of those who argued they should have done exactly that. Even if the election had been restricted to LDP Diet members, at least the party's affairs would have been minimally open and public. The information that the general public would have

obtained from such a party election would probably have been perfunctory and superficial; nonetheless, a party election would have eased the public's frustration at being left out of the presidential selection process.

Naming a Cabinet

The composition of the first Takeshita cabinet quickly demonstrated the strong impact of factionalism on personnel selection. For the sake of party unity and "bipartisanship," Takeshita formed his cabinet by carefully reflecting the party's factional balance of power. Of the twenty cabinet posts, four were given to the followers of his "godfather," Nakasone, and an additional four were given to Miyazawa faction members. Abe loyalists received four posts, and Kōmoto secured a pair of cabinet positions for his supporters. Takeshita kept five posts for his faction and gave one appointment to one of the few independent (non-factional) LDP Diet members.

There are at least two problems in this method of forming a cabinet. First, as a result of distributing the ministerial portfolios by faction, the Takeshita cabinet failed to establish its own identity. Missing a Takeshita personality, the administration is, at best, an amalgamation



of several different currents within the conservative party. It is the very epitome of the factional nature of the conservative governance. Under these circumstances, Prime Minister Takeshita may not command but merely coordinate the different interests within the cabinet.

Second, although Takeshita determines how many cabinet posts each faction will fill, the factions themselves choose the actual ministers. By established tradition, a faction member cannot be named to a cabinet post until he has been reelected to the Diet a number of times. Generally, a member of the House of Representatives will not be given a ministerial post unless he is at least a seven-time election winner. But once this criterion is met, he will eventually be

nominated to one of the cabinet posts, regardless of his professional competence and qualifications. This unwritten code of practice often produces incompetent and unqualified ministers, who are domestic as well as international political liabilities for the Japanese government.

The Rise of "Tribal Politics"

Several Japanologists in America have tried to explain Japanese politics solely in terms of factional struggles within the LDP. Although an understanding of factionalism in the ruling party is essential, especially as it applies to the selection of party and government leaders, it is not the only force in operation. Since the late 1970s, and particularly during Nakasone's administration, policy in major areas, such as agriculture and construction, has come under the control of a few powerful LDP policy experts, who protect and perpetuate their programs against outside pressures. Because this policymaking pattern is akin to that of tribal chiefs who try to shelter their tribe's interests against the encroachment of foreigners, this phenomenon has been dubbed the rise of *zoku* (literally, "tribal") politics.

The most important of these policymaking organiza-

tions within the LDP is the Policy Affairs Research Council (PARC), which has come to be the central place where interest groups and public officials make demands of and negotiate with the leaders of the LDP. Under normal circumstances, policy matters initiated by government bureaucrats are referred to one of PARC's 17 divisions, which are organized to parallel the standing committees of the Diet. A problem bearing on agriculture, for instance, would be assigned to the Agricultural Division. Bureaucrats are not legally required to bring matters to the appropriate PARC division, but they are fully aware that a bill would face stiff opposition on the floor of the Diet if it did not have the formal blessing of the PARC and the LDP. In recent years, the various PARC divisions have spun off well over 100 subcommittees, which tend to function as separate pressure groups within the organizational structure of the party.

The PARC divisions are dominated by a few LDP Diet members who are experts in their respective policy fields. Ryutaro Hashimoto, an entrenched LDP Diet member with a long record of cabinet appointments, is said to be the politician to be reckoned with in the health and welfare issue area. Likewise, without the consent of Hiroshi Mitsuzuka, a former minister of transportation, transportation policy would not possibly move forward within the LDP — or in the Diet. Michio Watanabe and Koichi Kato are noted protectors of agricultural interests in the conservative party; it is primarily due to their influence that the price of Japanese rice has been kept inordinately high and that generous subsidies have been siphoned off for the rural sector of Japan.

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Such a balkanization of Japan's policymaking process helps explain why the Japanese government appears slow to react to American requests for action in various policy areas. Because Nakasone had little control in policy areas with significant international ramifications, such as agriculture and construction, Nakasone found it imperative to try to consolidate policymaking power under his control.

To do this, Nakasone took three measures. First, he set up several public and private advisory commissions in important policy areas and used them as leverage to overcome LDP opposition. Second, Nakasone recruited scholars to advise his administration and tried to nurture them as his intellectual confidants. Several became his spokesmen, helping to mold public opinions favorable to Nakasone's causes. Third, Nakasone patterned the prime minister's office after the American president's office, creating a Domestic Council and a Foreign Council to act as central coordinating agencies for various important internal as well as external policies. Nakasone took full advantage of his popularity with foreign governments — particularly his "Ron-Yasu" relation with President Reagan — to stifle domestic opposition to these measures.

Nakasone's attempt to curtail *zoku* politics and to centralize policymaking in his office was a significant departure from the model of the typical Japanese conservative leader. Many Japanese do not expect Takeshita to follow a similar pattern. The common view in Japan holds that the Takeshita administration is a conservative government par excellence. Its tenure in office is highly dependent upon a delicate alliance of the major factions. Takeshita appears very comfortable with the traditional conservative Japanese political style and likes to mingle with the longtime LDP members. The incumbent prime minister is said to be extremely good at coordinating and mediating among various interests.

If these newspaper accounts are accurate, balkanization in Japan's policymaking is likely to become the norm, and *zoku* politics will become a hallmark of LDP governance. And if this scenario is valid, conflicts with the United States over various issues including trade could well intensify in the years to come. There is a tiny ray of light, however. Several people close to Takeshita point out that the new prime minister is a man who will deliver what he promises. Nakasone promised a lot to the United States that he was not able to implement. In contrast, Takeshita, because of his discreet personality and ability to mediate, may be better able to carry through on his promises, thus easing tensions with the United States. The only problem is that the promises Takeshita makes are likely to be slow in coming.

1. Because presidential elections are the private affair of the LDP, public controls and legal restrictions on campaign financing are not binding. Consequently, the elections have gained notoriety over the years because of the large amounts of money factions use to win the support of members of opposing factions. Most of the LDP's campaign funds come from Japan's major businesses, leading to charges that the party is beholden to their policy interests.

2. No accurate information about the number of LDP members is available. The number fluctuates tremendously, depending on whether the party is scheduled to have a presidential election. In an election year, the membership usually reaches about 3.5 million because of membership drives by the competing factions. In off years, the membership falls back to 1.5 million or less.

Staying on Top of the Numbers

How to Improve the Federal Statistics Program

Sidney L. Jones

THE STOCK MARKET rises and falls on them. Federal aid is distributed according to them. Businesses make decisions about everything from producing new products to opening new factories based on them. Indeed, economic statistics collected and analyzed by the federal government are at the heart of public and private policymaking alike. Although good statistics and analysis do not automatically produce good policy, they are the necessary foundation for identifying problems, evaluating options, and monitoring results.

The United States has developed an unusually sophisticated set of economic statistics; the data are relatively current and have good breadth and depth of coverage. Despite the frustrations of government service, an experienced cadre of professional employees manages the eight major statistics programs and dozens of smaller ones (Major programs, box, p. 40). The functional independence of major statistical agencies has been effectively insulated from manipulation by the executive branch and Congress, and the overall integrity of the system is rarely questioned.

The quality of these programs is even more impressive when one realizes that estimated federal expenditures for all statistical purposes totaled only \$1.6 billion in fiscal 1987, an infinitesimal fraction of the \$1 trillion-plus federal budget and a small expenditure to measure the activities of a \$4¹/₂ trillion domestic economy and its relationship to the rest of the world.

Despite the general level of satisfaction with both the quality and quantity of federal statistics, an underlying set of concerns has developed about the organizational and budgetary status of these programs. The ominous prospect for cutbacks in statistical programs during a period of high federal deficits causes much of this uneasiness; statistical agencies are particularly concerned about their welfare if across-the-board budget cuts have to be imposed.

An even more significant concern is the growing gap between the responsibilities given to statistical agencies and their capabilities. These agencies are now trying to measure and describe the activities of an increasingly complex domestic and international economy with limited staff and financial resources. The quickly changing characteristics of the domestic economy are making the existing data collection and processing systems somewhat obsolete, while the rapid integration of the world economy is changing the kinds of data needed and the sources of information. The time between collecting the raw data and publishing the statistics has been unrealistically compressed, making data less reliable and raising questions of credibility.

Meanwhile, government officials are attempting to micromanage specific economic activities using general statistics collected for other purposes. Policy issues require cross-cutting solutions that do not match traditional statistical

Sidney L. Jones is a member of the associate faculty of the Center for Public Policy Education at Brookings and a professor of public policy at Georgetown University. As under secretary for economic affairs in the Commerce Department and assistant secretary for economic policy in the Treasury Department, he was responsible for coordinating several of the government's most important statistics programs.

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categories. Private individuals and companies are complaining about the time and expense of responding to requests for information, and some are even refusing to cooperate with statistical surveys and censuses unless they are mandatory. Political figures continue to use statistics for their own purposes and to divulge information to preferred groups before the general public receives it, which creates confusion and erodes credibility.

In short, the system for collecting, processing, and publishing federal economic statistics is in place and functioning reasonably well. But serious procedural, budgetary, and management problems are emerging. The following proposals are intended to focus attention on these problems before they threaten the system's well-being. Many of these suggestions are controversial. Even if they were not, they might be difficult to implement during a period of budget restraint. Nevertheless, this list may provide a beginning point for evaluating possible change.

A Government Responsibility

1. *The federal government must retain responsibility for gathering, compiling, publishing, revising, and preserving the core statistics necessary to create and maintain a comprehensive, logical, and objective information system.*

Some critics have suggested that the relevance of statistical programs could be improved and costs reduced if designated statistical responsibilities were transferred to private companies. But privatization of statistical programs is not realistic if for no other reason than that the kinds of statistics used to prepare policy recommendations and to keep a permanent historical record do not have much profit potential.

Furthermore, government collection and publication of statistical information benefit from economies of scale unlikely to be available in the private sector. While academic institutions, trade and professional associations,

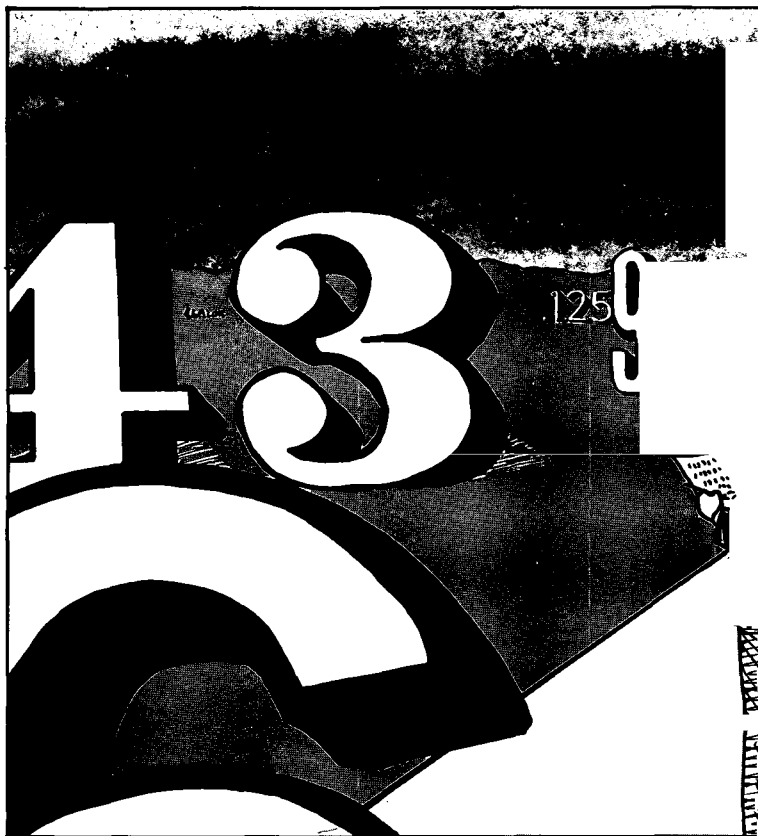
and private companies will continue to be valuable sources of much of the information collected and to develop many specific statistics and analytical reports for their own purposes, only the federal government can prepare a continuous record of data protected from the fluctuating interests of individual institutions.

2. *The core statistics programs should be given a new status that properly recognizes the value of information as the necessary foundation for making wise, or at least informed, policy decisions.*

Public and private officials should stop regarding the collection of statistical data as an unnecessary expense. That all-too-prevalent attitude was demonstrated in 1984 by a senior official of the Office of Management and Budget (OMB): "Each of these information collections requires the expenditure of public and private resources that might be more profitably spent on something else. The more money we spend to collect, process and disseminate information, the less there is available for government services. The more industry spends, the less money is available for production."¹

No responsible person claims that the collection of statistics is either easy or cost-free. Respondents must commit valuable resources to providing the information requested. The benefits of participation are diffused and difficult to identify, but the costs are explicit and resented. Yet focusing only on the costs of collection naively ignores the more serious costs of making inferior public and private policy decisions when inadequate or misleading information must be used. The marginal benefits of good decisions continue to exceed the marginal costs of collecting data.

Nevertheless, in an era of restrictive budgets and general animosity toward government intervention in personal and company activities, it is understandable that respond-



ents increasingly object to the surveys and censuses of statistical agencies. The inevitable result is a serious problem in collecting even the core statistics. For example, in 1985 I sent a personal letter to 350 companies on the *Fortune* 500 and *Fortune Service* 500 lists urging them to participate in the periodic survey of anticipated plant and equipment expenditures. This particular survey is used to develop macroeconomic policies and to prepare the National Income and Product Accounts, commonly known as the gross national product or GNP. Despite the widespread use of this information by the private sector as well as the government, only two-thirds of the membership of *Fortune's* two basic lists had participated in the 1984 survey.

The response to my letter from one of America's most prestigious companies illustrates the growing data collection problems: "Like much of American industry, we are making intense efforts to maximize our productivity and control our costs and expenses wherever possible. At considerable cost, we presently provide the Commerce Department with significant amounts of information through various compulsory forms and filings which the Department requires. We believe that this information should be sufficient to meet the Department's needs and we are not in a position to divert additional resources and funds beyond what is necessary to provide information which is mandated. Therefore, we must respectfully decline your invitation to participate in the Plant and Equipment Survey, as well as other surveys and reports of a voluntary nature."

The problem of noncooperation can be solved either by forcing statistical agencies to impute values, which would ultimately weaken the data base, or by making more reports mandatory. One approach would be to make all

statistical reports compulsory and then reimburse respondents for reasonable costs. This step would greatly increase the government's costs of gathering even the most basic statistics, but it may become a more realistic option if nonparticipation increases.

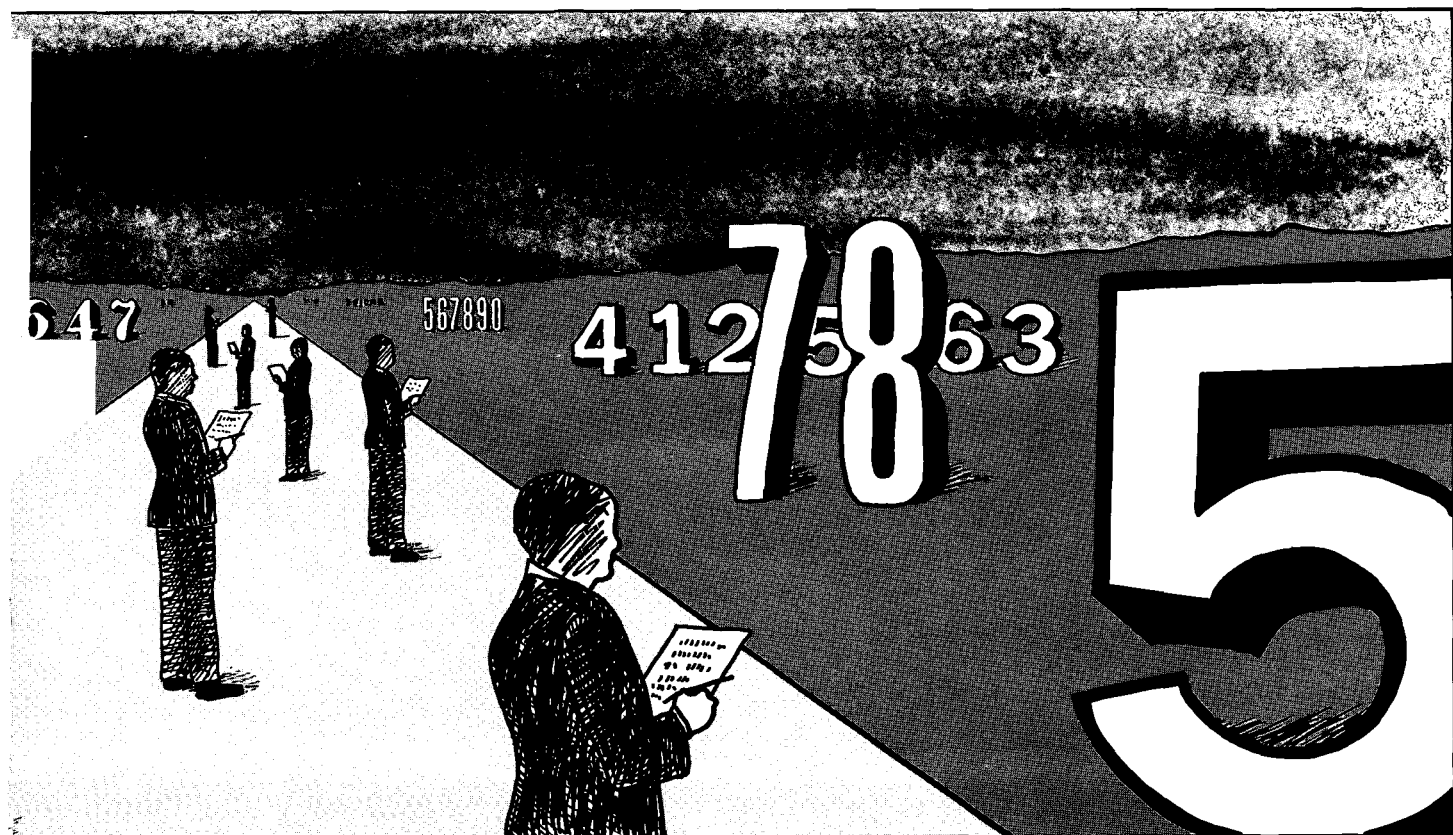
If we are really serious about the quality and quantity of federal economic statistics, we are going to have to commit more resources to their collection and analysis. If we are unwilling to make the necessary commitments, then we should not complain about the quality of statistics. It is ironic that major administrative and budgetary pressures to curtail statistical programs are occurring when the increasing importance and complexity of public and private policy decisions actually require more and better information.

Coordination and Relevance

3. *A powerful coordinating agency is needed to plan and direct the entire federal statistical system.*

Unlike most other nations, the United States has adopted a decentralized system of statistical agencies, with over 70 different federal organizations engaged in various statistical activities. This fragmentation makes it difficult to identify direction and priorities and to take advantage of administrative and technological developments.

Central planning and coordination functions, such as setting standards, establishing publication schedules, clearing forms and reports, and controlling reporting burdens, are currently assigned to the Office of Statistical Policy located in the OMB. Once a powerful agency with a large professional staff capable of fulfilling oversight responsibilities, the Office of Statistical Policy has declined



in both size and clout. Its small staff now provides little direction or coordination beyond reviewing proposed forms and reports and responding to complaints about unwanted reporting burdens.

The absence of a central directing group responsible for creating a vision of the federal information system and with the authority to provide effective coordination creates serious problems for the leaders of statistical agencies. No effective forum exists for discussing mutual problems and procedures. Worst of all, no process is available for initiating new priorities and achieving economies of scale and scope through cooperative programs. Instead, individual agencies develop their own priorities in response to the specific operating goals of the parent departments they serve, which leads to a highly fragmented statistical program. In turn, the fragmentation creates artificial barriers to the sharing of data, survey sample lists, technical procedures, and budget resources.

I would like to see the creation of a Council of Statistical Advisers comparable in institutional status to the Council of Economic Advisers. However, to provide the professional independence needed to sustain leadership and credibility, members should not serve at the pleasure of the president but should be appointed and confirmed to serve 14-year terms.

An even more controversial step would consolidate the eight major statistical agencies along with some of the smaller units into a single independent agency comparable to the central statistical bureaus in Canada and some European nations. I gradually have come to support this approach as a way to enhance the importance of statistical functions and to achieve economies of scale and scope. I also believe such a consolidation would significantly improve the insulation of statistical activities from external political and departmental management pressures — an insulation that is crucial to the credibility of the system.

Despite these advantages, a central statistical agency is not likely to be created in the foreseeable future. The proposal has no active support, while the statistical agencies, the parent operating departments in the executive branch, the oversight committees in Congress, and various interest groups strongly oppose it. A less encompassing, and perhaps more feasible, alternative would be to move the Office of Statistical Policy out of OMB and give it more authority to coordinate statistical programs. An interagency task force proposed the creation of such an office in 1979, but it was never approved.

4. Statistical agencies should be encouraged to fulfill designated responsibilities within a comprehensive information system, rather than merely respond to the current operating priorities of their parent organizations.

The idealistic goal of creating a comprehensive information system is at odds with the specific requirements imposed by the Paperwork Reduction Act of 1980, which state: "First, decisions about information management must be made in the context of program requirements. All information requirements and resources must trace back to substantive policy. Information support structures only make sense insofar as they contribute to the mission of the agency they serve. Second, the primary responsibility for managing information resources must ultimately reside at the agency level. The information resource, like other resources such as personnel and finances, must be under

the control of the program official responsible for delivery of the product, whether it is a missile, a student loan, a school lunch, or an environmental standard."²

It is intuitively logical to expect statistical agencies to be responsive to the specific functional responsibilities of their parent departments. The major criticism of statistical programs always has been that the information collected is irrelevant or comes too late to contribute to actual operating decisions. As operating program priorities and economic conditions change, senior officials assume that statistical agencies can and will adapt their services. These pressures may disrupt long-term goals and divert scarce financial resources and personnel away from existing programs. Departmental budget and personnel decisions reflect these changing operating priorities, sometimes without regard for ongoing statistical responsibilities, and managers required to produce immediate results often become frustrated with the apparent lack of support from technical statistical staffs.

Statistics and reports should be relevant to changing policies and conditions, but a broader mission must be fulfilled. Statistical agencies must respond to the legal mandates created by public laws and produce the historical time series that compose the overall domestic and international information system. The subordination of statistical program goals to departmental operating priorities is a disservice if it means these broader objectives are not achieved.

5. A more rigorous review system should be established to evaluate the relevance and cost/benefit results of government statistics programs.

Both the eroding credibility of statistical reports and the growing problem of nonparticipation in voluntary surveys are signals that the statistical programs need to be made more relevant and cost-effective. Despite changing circumstances, most agencies rarely drop a statistical program, even if it is no longer useful or needed. Existing programs are rarely analyzed beyond the annual budgetary review of proposed spending and personnel requests.

Most statistical agencies do have professional advisory groups and outreach programs for users and suppliers of information, but the recommendations contained in peer critiques usually are perfunctory, and existing priorities typically are sustained. Some professional groups, such as the National Academy of Sciences, American Economic Association, American Statistical Association, and National Association of Business Economists, have attempted comprehensive analyses of the system of economic statistics, but senior government officials tend to ignore external criticism unless Congress becomes involved. The Office of Statistical Policy, departmental administrative and budget officials, and various congressional oversight committees also monitor parts of the statistical programs, but no effective procedure is available to evaluate the entire system or respond to the specific concerns of users and suppliers of statistics. A central coordinating authority with power to set priorities would contribute to better control and improved communication.

6. Statistical programs should be carefully insulated from external political pressures.

The extreme importance of statistics in shaping political and economic responses to events creates a tremendous temptation to try to manipulate the figures to gain a

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competitive advantage. The best defense against this temptation is the professional quality and institutional pride of the statistical agencies. I have great respect for the ability and integrity of the people I have worked with in the statistical agencies — both the professional staffs and senior political appointees. They consistently demonstrate great dedication to preparing and publishing statistics carefully and honestly.

Despite their efforts, however, considerable skepticism has developed about the confidentiality of some statistics, particularly those that influence important economic and political decisions. To restore confidence, the technical work of preparing statistics for publication should be done only by career professional employees. Those few political appointees involved in the statistical programs should avoid direct involvement in the preparation of the reports. Their proper role is to serve as a buffer to protect the career people from outside pressures and to make certain that normal procedures are always followed. The political appointee must demonstrate an absolute commitment to the integrity of the statistics and be willing to resign if he or she believes the statistics are not being protected from external pressures.

Separate Collection and Analysis

7. *The interpretation of statistical reports and preparation of policy recommendations should be carefully separated from the collection and publication of data.*

This controversial suggestion is unpopular among statisticians because the analysis and advisory functions are considered to be more interesting and relevant to the development of policies than merely "crunching the numbers." The separation is essential, however, to preserve the objectivity and independence of the data collection. The interpretation of statistics requires personal value judgments and sensitivity to the policy interests of parent

organizations and is best left to senior government officials and private analysts. Statisticians who interpret the data open themselves to accusations of personal bias and political interests. The preparation of accurate and timely statistics is enough of a challenge without taking on the additional burdens of interpretation beyond technical explanations of how the figures are prepared and any unusual factors affecting the results.

8. *Congress should mandate severe penalties for the unauthorized release of statistics and analytical reports prior to official publication schedules.*

Statistical agencies devote great effort to preserving the confidentiality of reports to prevent unfair manipulation. Nonetheless, the possibility that sensitive information might be used prematurely for financial or political gain is a tremendous risk that few people take seriously. The tendency is to dismiss the occasional rumors about violations of confidentiality with trite excuses that everyone enjoys insider gossip and that government departments always leak like sieves.

In reality, the improper use of confidential information can have a direct and instantaneous effect upon billions of dollars of financial trades in stock and bond markets, futures and commodity markets, and international foreign exchange markets. The potential for scandal is far greater than the recurring reports of government contracting abuses and other government intrigues. The financial markets often swing violently when new statistics are released, no matter how preliminary or tentative the signals may be. Insider information creates a comparative advantage for a privileged group at the expense of the general public.

Extensive precautions have been developed to protect the preparation and release of sensitive statistics, but the pressures are great, and the overall credibility of the entire system is always vulnerable. An obvious solution would be to isolate the statistical operations from any external

The Big Eight

Following are brief descriptions of the eight federal agencies whose sole function is to compile statistics for government and private use.

Bureau of the Census (Commerce Department). Conducts the decennial census of the population and makes periodic population projections. Provides data on manufacturing and mining, retail, wholesale, and service industries and merchandise foreign trade. Takes five-year censuses of agriculture, construction, manufacturing, and mining industries. Conducts the Survey of Income and Payment Participation, which measures income and assets of the population and participation in government programs. Collects income statistics used to measure poverty and for market research studies of income distribution. Gathers household survey of employment and much of the raw material used by other agencies such as the Bureau of Economic Analysis and the Bureau of Labor Statistics.

Bureau of Economic Analysis (Commerce Department). Provides data on aggregate economic activity, including the gross national product; personal income, spending, and saving; corporate profits; plant and equipment expenditures; leading and lagging economic indicators; U.S. international transactions; and foreign investment.

Bureau of Labor Statistics (Labor Department). Provides statistical data on labor economics, including employment

and unemployment, hours of work, wages, productivity, and the structure and growth of the economy. Publishes the Consumer Price Index, the Producer Price Index, and Employment Statistics.

National Agricultural Statistics Service (Agriculture Department). Provides estimates of production, supply, and prices for U.S. crops and livestock. Collects other data describing the agricultural sector, including the types, size, profits, and financial condition of farms.

Center for Statistics (Education Department). Provides data on subjects such as enrollments, teaching staffs, and school finances. Administers the National Assessment of Educational Progress.

Energy Information Administration (Energy Department). Collects and analyzes data on sources, distribution, and use of energy supply.

National Center for Health Statistics (Health and Human Services Department). Collects and publishes data on the health, illnesses, and disabilities of the population; the impact of illness and disability on the economy; the effects of various health hazards; health care costs and financing; and vital events.

Bureau of Justice Statistics (Justice Department). Provides data on criminal justice.

contacts — from government officials as well as private interest groups — prior to the public release of the information. At a minimum, the Justice Department should be given explicit authority to find and prosecute people who release information without authorization. If we are not willing to take remedial actions, then new statistics will continue to be subject to rumors, and occasional leaks will provide economic and political benefits to privileged insiders, as well as raise questions about the basic integrity of government.

Bigger Budgets

9. Statistical budgets should be increased.

An obvious element of personal bias, even hypocrisy, exists in my proposal to increase budgets for statistical agencies while the government is trying to restrain its overall spending. Nonetheless, these budgets are already inadequate; some agencies cannot fully meet their program responsibilities. In fiscal 1987 estimated spending by the Bureau of Economic Analysis, an agency responsible for preparing the National Income and Product Accounts and many special reports, was only \$23.5 million. Estimated spending on current surveys by the Bureau of the Census, after excluding the costs of preparing for periodic censuses, was estimated to be \$91.7 million, and the budget for the Bureau of Labor Statistics was \$195.9 million.³

When adjustments for inflation are made, real outlays for many federal economic statistics programs have actually declined during the last 10 years.

In the current budget policy environment, the budget requests of individual statistical agencies are unlikely to be given special priority. One might more realistically expect continued hiring freezes, gradual expansion of the major statistical programs, elimination of minor statistics, and reductions in research programs to improve technical procedures and quality control. Part of this deterioration will result from the isolated status of statistical agencies located in large departments responsible for operating programs. Budget examiners are usually more sensitive to spending programs involving thousands or millions of people than they are to requests for specific statistical functions.

The irony, of course, is that government officials will be unable to determine the relevant costs and benefits of operating programs unless adequate statistics are collected. Reducing statistical budgets will save very little money and will eventually erode the benchmarks needed to plan, coordinate, and evaluate government policies.

10. A core set of national statistics should be identified to preserve historical continuity and compatibility.

It is difficult to tailor statistics programs so that they match the rapid pace of change and also build the background information necessary to formulate policy. To

avoid constant confusion, a permanent set of core statistics should be identified. Statistics needed for only a short period and those that are no longer needed should be systematically eliminated through "sunset provisions" and internal and external auditing reviews. By carefully identifying two distinct categories — a permanent core set and a temporary group of statistics linked to current events and policy debates — we could reduce the reporting burden without eroding the quality of the necessary statistics.

Completeness or Immediacy

11. *The compression of time between data collection and publication of the statistics should be reconsidered.*

The overwhelming drive for current information and predictions about future events has pressured statistical agencies to accelerate their operating schedules. Preliminary releases, which often provide useful signals about turning points and the general nature of future events, are "close enough" for many users, even though subsequent reports usually revise the early estimates. I believe, however, that completeness is beginning to be sacrificed to immediacy. Today the agencies concentrate too much on projecting what will or will not happen rather than describing what actually does occur. Moreover, the professional prestige and technical expertise of the government statisticians create a false sense of accuracy about the preliminary results. Necessary revisions of the preliminary data lead inevitably to skepticism about the accuracy of the data in general.

Waiting a few more days, or even a few more weeks, to obtain more complete information normally will not reduce the general usefulness of a statistic. The recent debacle in trying to prepare monthly merchandise trade statistics based on hopelessly incomplete information is a classic example of what can go wrong. Because the increasing lag in the availability of trade documents was ignored, the monthly trade statistic was distorted and the entire quarterly GNP figures during the early 1980s were warped. By waiting just one additional month to adjust to the limitations of the data collection system, the quality of the trade statistics has been significantly improved.

Suggestions for slowing down the publication schedule will create loud protests and dire claims that public and private officials will have to act without access to crucial information. But I believe that the current unrealistic schedules are creating unnecessary confusion and skepticism about the overall quality of statistics. We are now asking the statistical agencies to do more than their existing sampling and estimating procedures can handle, which leads to false expectations and frustrations. For this reason it is particularly important that the professional statistical agencies avoid making short-term forecasts, despite the excessive attention given to such estimates by government officials and the general public. Any published projections should be limited to long-term trends.

12. *The quantity and quality of international statistics should be increased.*

The accelerating integration of the world economy is probably the most significant economic development of the 1980s. International trade, investment, financial transactions, access to raw materials, and the diffusion of technology have all grown in importance. The statistical

system created several decades ago was designed to measure our domestic activities, particularly those involving manufacturing, mining, and agriculture. Some adjustments have been made to expand the coverage of foreign trade and investment, but the scope and detail of information tends to lag behind the rapid evolution of international transactions.

Current widespread concern that necessary statistics and analysis are not available to guide international business and government policies is well-founded. The data collection and analysis problems associated with international activities are complex, and the level of support — both financial and responses to data requests — is inadequate because many public and private officials fail to recognize the crucial importance of foreign trade and investment transactions. Solving these problems is a major programmatic challenge.

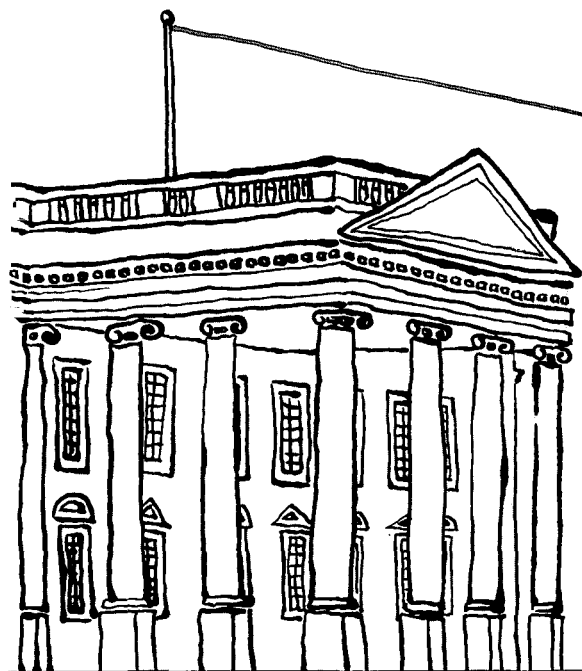
This analysis has attempted to identify several possible organizational reforms to improve the performance of the statistical agencies. Better coordination of and increased financial and personnel resources for the nation's statistical base will return major benefits reaching far beyond the costs. By acting now, before serious strains develop, we can preserve the high quality and creativity of the federal statistics programs.

1. Douglas H. Ginsburg, administrator for information and regulatory affairs, Office of Management and Budget, "Federal Information Resources Management: The Challenge of Change," address to the Information Industry Association, September 20, 1984, p. 4.

2. *Ibid.*, p. 9.

3. Statistical Policy Office, Office of Information and Regulatory Affairs, Office of Management and Budget, *Federal Statistics, a Special Report on the Statistical Programs and Activities of the United States Government, Fiscal Year 1987*, Table 1, p. 4-6.

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Approaching the Bench

Robert A. Katzmann

THE CONVENTIONAL WISDOM asserts that the judicial confirmation process will never be the same. According to that view, the events surrounding President Reagan's effort to fill the Supreme Court seat of Justice Lewis F. Powell Jr. — the Senate's rejection of Robert H. Bork and the withdrawal of Douglas H. Ginsburg before the approval of Anthony M. Kennedy — had transforming effects.

We will not know for some time the extent to which that is true. Undoubtedly, the controversies that marked the confirmation process will soon fade from public consciousness, and with them serious consideration of their impact. Before that happens, we would do well to evaluate these events in perspective, to look to the Constitution and to our historical experience. Examination of how the recent battles may have changed the process, particularly with respect to the conduct and scope of the hearings and the use of lobbying techniques, leads to broader questions about judicial selection. In answering them, we should ask whether these new benchmarks are likely to preserve or hinder the independence of the federal judiciary.

Beyond these concerns, we should consider a striking paradox. On occasion the Senate focuses its energies on the confirmation of judicial nominees, but Congress and the executive are largely oblivious of the institutional well-being of the third branch of government.

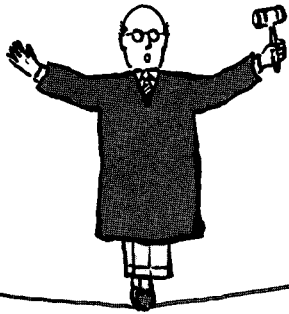
The Constitutional Basis

The president "shall nominate, and by and with the Advice and Consent of the Senate, shall appoint . . . Judges of the Supreme Court." With these words, the Second Article of the Constitution sets forth the formal *order* of the appointment process, but little else. The charter is silent about the bases for nomination and approval and about the balance of authority between the president and Congress in the confirmation process.

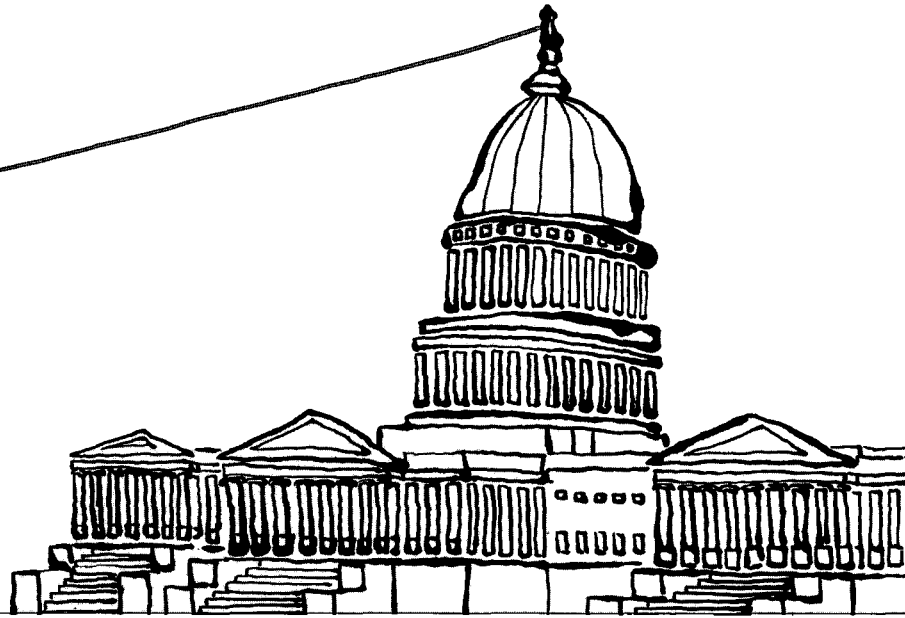
Nor has the nation since prescribed exactly what criteria a nominee must meet to guarantee approval. Throughout our 200-year history, the standards for confirmation have been the assertions of the Senate at the particular moment it considers a nominee. The final judgment is the sum of the individual preferences of 100 senators, practicing the "science of politics," as Senator Daniel Patrick Moynihan has put it.

A few years ago, political scientist Henry Abraham identified six characteristics that nominees to the Supreme Court (or for that matter to federal appeals and district courts) should possess: absolute personal as well as professional integrity; a lucid intellect; professional expertise and competence; appropriate professional educational background or training; the capacity to communicate

*Robert A. Katzmann, formerly a senior fellow and now a visiting fellow in the Brookings Governmental Studies program, is president of the Governance Institute. He is directing a long-term project on judicial-congressional relations and is the editor of the project's first book, *Judges and Legislators: Toward Institutional Comity*, to be published by Brookings.*



Judicial Confirmation in Perspective



clearly, especially in writing; and demonstrated judicial temperament. The Bork hearings expanded the scope and depth of the inquiry, apparently adding "acceptable ideology" to Abraham's list.

Of these areas of examination, the most basic is that of personal and professional integrity. It is safe to conclude that the Senate will not confirm any nominee touched by serious wrongdoing in his or her personal or professional life. Indeed, the mere appearance of such misdeeds — whatever the reality — can doom any nomination, a lesson most recently learned by Douglas Ginsburg.

Whether a nominee has satisfied most of these other criteria is in no small measure a matter of subjective judgment. Consider judicial temperament. As more than one observer remarked during the Bork proceeding, one's view of judicial temperament is much like Justice Potter Stewart's view of obscenity: It is difficult to define, but "I know it when I see it."

Evidence of reasoned, sound judgment is obviously easier determined for nominees with prior judicial experience. In such cases, senators can focus on the way the nominee approaches the craft of judging: how he or she identifies issues, presents facts, applies precedent, addresses opposing arguments, and states the grounds for decision. For many senators, qualities of steadiness may be more important than those associated with brilliance (the latter does not necessarily produce the former).

Controversy No Novelty

The failure of Bork and Ginsburg to reach the Court is not unique. Altogether, 28 nominees to the Supreme Court — nearly one out of five — have been rejected or otherwise failed to take their seats on the Court. In comparison, a *Congressional Quarterly* study noted that the Senate has vetoed only eight Cabinet appointments. The reasons for disapproving Supreme Court nominees have varied. Competence was the issue in the rejection of President Nixon's nominee G. Harrold Carswell. Senatorial courtesy — more precisely, the lack thereof — doomed Grover Cleveland's

appointments of New York attorneys William B. Hornblower and Wheeler Peckham.

Most rejections were linked to political objections. For instance, early in the history of the republic, the Senate refused to approve President George Washington's candidate John Rutledge as chief justice, largely because the nominee had opposed the Jay Treaty. Roger B. Taney, who later became chief justice, failed to secure the requisite Senate support when nominated as an associate justice because as secretary of the Treasury, he had executed President Andrew Jackson's policy removing government deposits from the Bank of the United States.

In another case, charges from the NAACP and the American Federation of Labor that he was callous in matters of race and labor defeated Judge John J. Parker in 1930. Ironically, Parker, who continued to serve on the United States Court of Appeals for the Fourth Circuit, later wrote some early and important decisions supportive of civil rights. The role of interest groups in the Parker story undermines the oft-asserted view during the Bork hearings that such involvement was unprecedented.

Some nominees who eventually secured confirmation had a difficult time. Louis Brandeis was a classic case. For nearly 40 years, Brandeis devoted some of his legal practice to attacking corporate monopolies — the "curse of bigness," as he termed it. He defended the constitutionality of several state minimum wage and maximum hour statutes; he supported municipal control of Boston's subway system; and he championed savings bank insurance policies. His nomination in 1916 was castigated by all those interests he had opposed in court. Former President William Howard Taft (himself a future chief justice) lamented that the nomination was "one of the deepest wounds that I have had as an American and a lover of the Constitution" and called it an "indelible stain" on the administration of Woodrow Wilson. After four months of bitter debate, with an undercurrent of anti-Semitism, the Senate eventually confirmed Brandeis by a vote of 47-22.

Throughout the ordeal, Brandeis refused to defend himself. In so doing, he adhered to the still-existent

standard that judicial nominees and judges should remove themselves from circumstances that would compromise their impartiality. As biographer Lewis J. Paper recounted, Brandeis was resolute in his determination not to answer the accusations against him, telling a reporter for the *Baltimore Sun*: "I have nothing to say about anything and will not, and that goes for all time and to all newspapers, including both the *Sun* and the moon."

Twenty-one years later, Justice Hugo Black ran into serious trouble after his confirmation when it came to light that he was once a member of the Ku Klux Klan. Amidst demands that he resign or that the Senate find some way to force him off the Court, Black acknowledged his Klan involvement in a dramatic radio broadcast and sought to put the episode behind him. That effort succeeded — perhaps the only use of the modern media by a justice to save his position — and Black remained on the Court for more than 30 years.

The civil rights issue also affected Thurgood Marshall's journey through the confirmation process in 1967. Southern members of the Senate Judiciary Committee intensively questioned Marshall, who had been a leading civil rights attorney. Ultimately he prevailed, winning confirmation in the full Senate by a vote of 69-11 to become the first black on the Supreme Court. It was not the first time that Marshall faced opposition. In 1961 and 1962 the Judiciary Committee delayed his confirmation as a judge on the United States Court of Appeals for the Second Circuit. In 1965 the same committee took less than a month to approve his appointment as solicitor general (a step President Johnson apparently believed would bolster a later Supreme Court nomination).

How the Process Has Changed

If controversy surrounding confirmations is hardly unprecedented, neither is change in the process itself. Although the confirmation hearing is a standard practice today, it was not until 1925 that a Supreme Court nominee testified before the Senate Judiciary Committee. Harlan Fiske Stone, the attorney general at the time of his nomination, was engaged in a prosecution of Senator Burton

Wheeler for participation in an oil-land fraud scheme. Wheeler, who was acquitted of the charges, fought Stone's appointment on the Senate floor with such vehemence that with the aid of his Montana colleague Thomas J. Walsh, his nomination was recommitted to the Judiciary Committee for further investigation. Stone then appeared before the committee to answer a barrage of questions. He satisfied the committee and was confirmed by a vote of 71-6.

Still Stone's appearance did not set a pattern. Five confirmation proceedings and 14 years elapsed before Felix Frankfurter became the second nominee to testify. As Ronald Collins and David O'Brien report, he did so with great reluctance, stating that it was "not only bad taste but inconsistent with the duties of the office for which I have been nominated for me to attempt to supplant my past record by personal declarations." As late as 1949, a nominee, in this case Sherman Minton, could refuse to appear, asserting that his "record speaks for itself" — and still be confirmed.

New Depth of Inquiry

However common the hearings have become, it was, at least until the Bork hearings, generally considered inappropriate and even unseemly to delve into a nominee's views about specific areas and doctrines. Anything that remotely called for the prejudgment of issues was considered a threat to the quality and independence of the judiciary.

Thus, in 1986 when the Senate Judiciary Committee asked Antonin Scalia for his opinions on particular cases and issues, it seemed satisfied when he replied that he had not given thought to the questions but would certainly do so at the appropriate time. His academic work had focused on administrative law, regulation, and the legislative veto, rather than on the more publicly controversial issues of the day. The committee would not accept such answers from Bork, who, like Scalia, sat on the U.S. Court of Appeals for the District of Columbia Circuit at the time of his nomination. Instead, the panel probed into his views about privacy, abortion, women's rights, civil rights, original intent, antitrust, and war powers — pressing the nominee to

"However common the hearings have become, it was, at least until the Bork hearings, generally considered inappropriate and even unseemly to delve into a nominee's views about specific areas and doctrines."

explain how he would approach these issues, and at times, very nearly asking him to offer some assurance that he would not diverge from existing precedent. For his part, Judge Bork responded in ways unlike previous nominees. He explained his position in detail, sometimes discussing how he would likely analyze particular issues that could come before the Court.

When Kennedy's nomination came before the committee in December 1987, Senator Orrin G. Hatch of Utah and other supporters of Judge Bork cautioned Kennedy that it was "totally unnecessary to delve into inquiries that may come before [a judicial nominee] at a future time." Nonetheless, several members of the committee who had closely questioned Bork reaffirmed their commitment to inquiring into a nominee's judicial philosophy.

Twelve years on the appellate bench yield a substantial body of written work — more than 400 opinions in which Kennedy was the writing judge, and overall some 1,400 decisions in which he participated. The committee record suggests that the senators and their staffs made some effort to familiarize themselves with his key decisions as well as some of his speeches. At the hearings and in subsequent written questions, the senators asked Kennedy about his legal opinions bearing upon privacy, school desegregation, affirmative action, the legislative veto, comparable worth in employment, and the relaxation of the exclusionary rule in criminal cases, and more generally about his views on original intent.

In the main, senators were far more accepting of the nominee's answers than they were of Bork's. Kennedy may have escaped intense questioning partly because his writings were less sweeping and provocative than Bork's were. Kennedy no doubt was aided by the conciliatory tone in which the White House advanced his nomination and by the disinclination of a weary Senate to take on another time-consuming confirmation battle. Whatever the combination of reasons, committee members did not dissect Kennedy's testimony with follow-up inquiries, as they had done with Bork's. The hearings were more typical of the pre-Bork proceedings, in which the senators were loath to probe into the nominee's ideology and thoughts about specific cases and doctrines.

It may be that the Bork hearings will prove to be an aberration. Arguably, those proceedings were unique. President Reagan set the terms of the debate when he nominated Bork in part because of his perceived ideology. Moreover, Bork had written prolifically in the academic and general press about cases and doctrines bearing upon a wide range of social and political matters. Perhaps, under such circumstances, it was appropriate to ask the nominee about his published academic views.

The timbre of future hearings is impossible to predict. But the leadership of the Senate Judiciary Committee will have the Bork hearings as a model on which to base its inquiries. We should not be surprised if in defense of extensive investigation of a nominee's views, the committee looks to the Bork hearings as precedent. Is it possible that someday senators will regard the polite refusal to answer detailed queries as grounds for rejection?

It will be interesting to observe whether the intense scrutiny given to Supreme Court justices will extend to judges of the district court and courts of appeal. A recent Common Cause study indicated that the already over-

worked Senate Judiciary Committee does not have the time or resources to devote to such an assignment. Legal journalist Kenneth Jost determined that in the fall of 1986, when Douglas Ginsburg appeared before the committee in connection with his nomination to the U.S. Court of Appeals for the D.C. Circuit, the Senate panel considered seven other judicial nominees the same day. The 40 or more hearings a year strain both the staff and the senators.

Whatever the intensity of the inquiry, it is all but certain that ideology will now be taken for granted as an acceptable subject for questioning. According to Judiciary Committee Chairman Joseph Biden, the inquiry into judicial philosophy has led the Senate to create standards for judicial nominees of "open-mindedness, fairness, and a recognition that constitutional interpretation must continually evolve." On the day of Judge Kennedy's confirmation, Senator Arlen Specter of Pennsylvania declared that "we have established in the 100th Congress a very important precedent that judicial philosophy is relevant and important." But from his perspective, Senator Alan K. Simpson of Wyoming, the Republican whip, asserted that the Senate had imposed a "political litmus test" on judicial nominees.

The inclination of the Senate to examine nominees more closely would seem to be in keeping with the views of Chief Justice William H. Rehnquist, who as a young attorney wrote in the "Harvard Law Record" of October 8, 1959: "It is high time that those critical of the present [Warren] Court recognize with the late Charles Evan Hughes that for one hundred seventy-five years the Constitution has been what the judges say it is. If greater judicial self-restraint is desired, or a different interpretation of the phrases 'due process of law' or 'equal protection of the law,' then men sympathetic to such desires must sit upon the high court. The only way for the Senate to learn of these sympathies is to 'inquire of men on their way to the Supreme Court something of their views on these questions.'"

New Use of Lobbying

The Bork nomination involved a change not only in the nature of the hearings, but also in lobbying techniques. In addition to trying to influence senators directly, several groups sought to mobilize public opinion. Bork's opponents undertook an extensive media campaign that included advertisements on television and radio and in the newspapers. Some supporters of Judge Bork — many of whom had used similar tactics in the effort to defeat liberal state judges subject to the ballot box — lamented that they were caught off guard. Other advocates charged that the media campaign politicized the confirmation process and inaccurately portrayed the nominee's views and record. The effort, they contended, was particularly unfair because Judge Bork, consistent with the judicial role, could not engage in a public rebuttal.

Defenders of the media campaign rejected charges of distortion. They contended that they were trying to counter an aggressive effort on behalf of Judge Bork, waged by the Reagan administration. Further, they argued that the politicization of the confirmation began with the administration's overt attempts to change the ideological complexion of the federal courts at every level. In so doing, the claim continued, the White House and the Department of

Justice, were insensitive to traditional norms of senatorial courtesy. Bork's detractors found it ironic that conservatives, long critical of the power of unelected federal judges, should object to an effort designed to mobilize public opinion.

Still others, supporters and opponents of the Bork nomination alike, cautioned that the judiciary should not become a political football and urged that in the future all factions should work together to preserve the dignity not only of the institution, but also of the process by which judges are selected and confirmed.

Those who undertook the media effort obviously hoped that the public outcry would have some effect on the senators. The extent to which such efforts influenced the Senate is not easily discernible. But the activities added a new dimension to the confirmation process, one that deserves further reflection.

Unresolved Questions

Whatever the character of future proceedings, it is perhaps propitious now, before attention fades, to ponder some unresolved issues that these recent episodes have brought into sharp relief. At the core of any such discussion must be some shared understanding of the unique role of the federal judge.

The Constitution clearly provides for a role for the president and the Senate (and thus the citizenry) in the selection of judges. At the same time, our founders sought to create a system in which the independence of the judge would be ensured. By providing for life tenure, they substantially isolated federal jurists from public pressure, giving them the freedom to make unpopular decisions. The founders understood the danger of placing judges in positions that threatened their impartiality or forced them to prejudge issues. The very process of judging is based on the premise that decisions require, among other things, studious consideration of all sides, understanding of the particular facts and law governing a case, attention to detail and nuance, and careful reflection.

What all this means is that the process of judicial selection must be finely tuned to take into account a variety of concerns and interests. On the one hand, it must be structured so that the president, the Senate, and the public have enough information about the nominee to ensure that he or she satisfies basic criteria, however defined. On the other hand, that process must preserve the integrity of the judicial function.

In weighing these considerations, we might ask a few critical questions.

First, what should the balance of responsibility be between the president and the Senate in choosing judges? Should that division of responsibility change depending upon the kind of appointment under consideration — Supreme Court justice, court of appeals judge, or district judge? In what way? In short, what does "advice and consent" mean?

Second, what criteria should govern the selection of judges? Should they change depending upon whether the nomination is to the Supreme Court, court of appeals, or a district court? If so, in what ways?

Third, what, if any, institutional changes should the executive and legislative branches make in the way

nominees are identified and then considered? What role should organizations such as the American Bar Association play? Can we learn something from the merit selection panels that exist in many states?

Fourth, what kinds of questions are appropriate at confirmation hearings? As federal appellate Judge Frank M. Coffin asked not long ago, "Is it possible to arrive at a consensus on the kinds of questions from legislators and answers from judges that properly serve the interests of the interrogators without infringing upon the dignity, impartiality, and independence of the judicial nominee?"

Fifth, what kinds of activities outside the formal processes of advice and consent are appropriate? What, for example, about the use of media campaigns to lobby the Senate?

Beyond the Confirmation Process

As the legislative and executive branches think about the confirmation process for judges, a further challenge might be in order: to devote more attention to the needs of the judiciary as an institution. Alexander Hamilton described the judiciary as the "least dangerous branch." It is also the most neglected.

The simple fact is that the federal judiciary is overworked, that it must somehow manage a diverse and complex docket in the face of inadequate resources. Spending on the third branch of government constitutes only about one-tenth of one percent of the federal budget. A considerable part of the caseload burden results from legislative directives. Not infrequently, Congress avoids controversial choices by passing the buck to the courts and then blames judges for issuing decisions that it in fact required. Courts are often confronted with the difficult responsibility of making sense of vague and ambiguously worded statutes with often meager legislative histories. The irony is that some on Capitol Hill view members of the judiciary as imperial beings, usurpers of the electoral process. Indicative of this perception is the reluctance of the other branches to support pay raises for the judiciary — making it increasingly difficult to attract and retain competent judges.

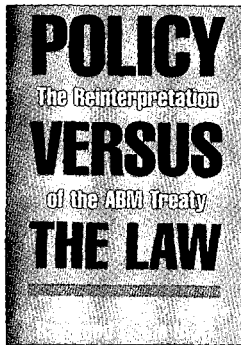
Complicating relations is the absence of communications between the legislative and judicial branches, of mechanisms that would help ameliorate unnecessary tensions and misunderstandings on all sides. Congress tends not to take into account the effects of its activities on the courts and often does not provide the judiciary with adequate guidance as to what its statutes mean. For its part, the judiciary is not always aware of the subtle and sometime elusive nuances of the legislative process that bear upon statutory intent. Lamenting the absence of regular communication between the branches, Senator Specter remarked to Judge Bork: "This is the only time that anyone gets to talk to a Supreme Court nominee or to a federal judge. . . . So . . . if you're confirmed, we'll never have a chance to talk to you again."

In the spirit of institutional comity, the time is ripe to expand our understanding of the function and problems of the judicial branch. What sense does it make for the Senate to ponder the fitness of judicial nominees when the branches of government pay little heed to the health of the federal judiciary?

Treaty Interpretation Refuted

Policy versus the Law: The Reinterpretation of the ABM Treaty

By Raymond L. Garthoff
\$8.95 paper



THE REAGAN ADMINISTRATION'S new interpretation of the 1972 Antiballistic Missile (ABM) Treaty is not substantiated by the text, by the negotiating record, or by the subsequent activities of the parties involved, according to Raymond L. Garthoff, author of *Policy versus the Law: The Reinterpretation of the ABM Treaty*. The reinterpretation attempt is, he writes, a case of overzealous government officials willing to serve policy objectives to the point of flouting U.S. law.

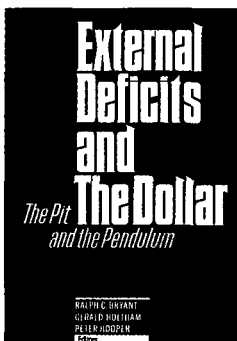
At issue is whether the treaty permits the United States to engage in a wide range of tests of Strategic Defense Initiative antimissile technology. The pact bans antimissile systems for nationwide defense and prohibits development and testing of space-based and other mobile components of ABM systems. The controversial "broad" reading of the treaty claims that its limitations do not apply to missile defenses based on new technologies — unknown when the treaty was drafted — such as lasers or particle beams.

Garthoff is in a unique position to provide an authoritative assessment of the treaty and the proposed rereading of it. He was a principal negotiator of the treaty, and he personally negotiated critical provisions involved in the dispute. Since leaving government service in 1979, Garthoff has been a senior fellow in the Brookings Foreign Policy Studies program.

Causes and Cures of the Trade Deficit

External Deficits and the Dollar: The Pit and the Pendulum

Edited by Ralph C. Bryant, Gerald
Holtham, and Peter Hooper
\$10.95 paper; \$29.95 cloth



CONFUSION is widespread about the reasons for the swelling of the external deficit. And uncertainty is rife about the outlook for its future. To better understand what happened to the U.S. current-account balance and what is likely to happen in the future, a group of U.S. and foreign economists met for a workshop at the Brookings Institution in January 1987. *External Deficits and the Dollar* reports the findings and supplies supporting research materials.

Based on their econometric models, the workshop participants concluded that the decline in the dollar's exchange value, which began in 1985, would improve the external deficit in the short run but that the deficit was likely to go up again after 1989, partly because of growing net interest payments on the debt to foreigners. To reduce the external deficit to manageable proportions will require significant changes in the macroeconomic policies of the major Western industrialized countries.

Two of the editors, Ralph C. Bryant and Gerald Holtham, offer a five-point program that they believe would help restore balance to the international economy. But they are pessimistic about the prospects for its implementation. "Although the dangers currently facing the world economy are real, statesmen and bureaucrats are probably not yet frightened enough to do the constructive thing," they write.

Bryant is a senior fellow in the Brookings Economic Studies program. Holtham, formerly a visiting fellow at Brookings, is with Credit Suisse First Boston in London. Peter Hooper is assistant director in the division of international finance at the Federal Reserve Board.

Japan at a Crossroads

AN "ECONOMIC MIRACLE" of the postwar period, Japan's success is now creating major adjustment problems. Slower growth, increased unemployment, and rapid changes in the financial and industrial sectors have permanently transformed Japan's economy and pose crucial challenges to its leaders.

In his book, *Japan: Facing Economic Maturity*, Edward J. Lincoln examines Japan's burst of growth and the complex interplay of demographic, cultural, economic, and political forces that shaped the subsequent emergence of large domestic imbalances: ballooning government deficits that supported domestic growth in the late 1970s, a determined switch to austerity measures in the 1980s as a surging current-account surplus buoyed the economy, and as yet uncertain responses to the recent appreciation of the yen.

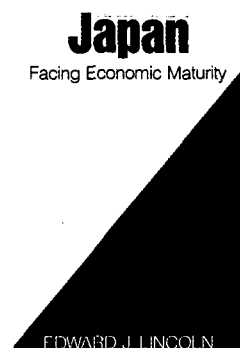
Lincoln focuses on the implications these developments have had for Japan's financial institutions, particularly domestic deregulation and the reduction of barriers to international financial transactions. He also discusses Japan's options for stimulating domestic demand by reducing savings, increasing investment, and raising government spending. He concludes with some thoughts on U.S. policies that could bolster Japan's adjustment process. The United States must approach bilateral relations with a "realistic knowledge of what is happening in Japan and a clear-eyed appraisal of how to press problems of concern to a successful solution," Lincoln writes.

Lincoln is a research associate in the Brookings Foreign Policy Studies program and a professorial lecturer at the Johns Hopkins University School of Advanced International Studies.

Japan: Facing Economic Maturity

By Edward J. Lincoln

\$11.95 paper; \$31.95 cloth



Soviet Strategy, American Choices

THE SOVIET UNION permits no foreign investment, imports goods only through a monopolistic ministry of foreign trade, and has no incentive system to encourage exports. In short, its economy is completely protected. In his new book, *Opening Up the Soviet Economy*, Jerry F. Hough argues that the essence of General Secretary Mikhail Gorbachev's economic reforms is the removal of those protectionist measures. If successful, the reforms would end the stark isolation of the Soviet economy and trigger profound changes in international political relationships.

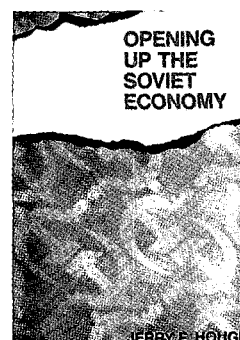
The implications, Hough contends, require the West to undertake an immediate rethinking of policy toward the Soviet Union. In particular, the United States and its Western allies must decide now whether to try to encourage Soviet competitiveness or retard it, whether the United States has the power to affect Gorbachev's options, and the extent to which it can make its cooperation conditional.

Hough is the director of the Center on East-West Trade, Investment, and Communications and a professor of political science and public policy at Duke University and an associated staff member at Brookings. He is the author of numerous books and articles on the Soviet Union.

Opening Up the Soviet Economy

By Jerry F. Hough

\$8.95 paper



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